BOARD POLICY

IMPLEMENTATION REPORTS

AS OF MARCH 2026

TABLE OF CONTENTS

(click on the title of each Policy to view its corresponding report)

STRATEGIC DIRECTION POLICIES

- Clean Energy and Power Supply
- Customer Experience
- Transmission & Distribution Operations
- Customer Value, Affordability and Rate Design
- Fiscal Sustainability
- Economic Development and Community Engagement
- Safety
- Information Technology and Cyber Security
- Strategic Planning and Performance Management
- Social and Environmental Justice

BOARD OPERATING POLICIES

- Construction of Transmission and Distribution Projects
- Enterprise Risk Management
- Power Supply Hedging Program
- Taxes and PILOTs
- Staffing and Employment
- Public Policy Transmission Planning
- Investment
- Asset Management

BOARD GOVERNANCE POLICIES

- Governance and Agenda Planning
- Audit Relationships

Annual Report on Board Policy on Clean Energy and Power Supply

Prepared for LIPA Board of Trustees

December 18, 2024

The Power is Yours ™

Discussion Topics

- Clean Energy
- Power Supply Planning
- Affordability
- Equity

LIPA Board Policy on Clean Energy and Power Supply

- Clean Energy
  - Zero-carbon electric grid by 2040
  - Meet or exceed LIPA's share of the clean energy goals of the CLCPA
  - Lead in energy efficiency and beneficial electrification
- Power Supply Planning
  - Conduct Integrated Resource Plans no less than every five years
  - Implement actionable recommendations in a timely manner
- Affordability
  - Competitively procure the least-cost resources and programs that meet our clean energy and reliability objectives
  - Minimize cost and maximize performance with contractual counterparties
  - Advocate for fair rules and regulations
- Environmental Justice and Disadvantaged Communities
  - Ensure DACs receive 40% of CLCPA-driven benefits of clean energy, EE investments, etc.

Meeting the Board's Expectations for **Clean Energy**

Achieve a zero-carbon electric grid by 2040, while meeting or exceeding LIPA's share of the clean energy goals of the CLCPA

- The 132 MW South Fork Wind Project went into commercial operation in July 2024 under contract to LIPA
- The 924 MW Sunrise Wind Project has commenced construction, with LIPA supporting interconnection to transmission
- LIPA is completing offtake contracts with three bulk energy storage systems totaling 179 MW at locations in Shoreham, Islip, and Babylon
- The Propel NY Energy transmission project has commenced development aiming to integrate up to 3,000 MW of offshore wind interconnecting on Long Island
- LIPA support for Propel includes coordination and planning on project permitting and construction, and completion of certain network upgrades to the LIPA system

Long Island Has the Most Vibrant Solar Market in the State

- LIPA's long-standing support for behind the meter solar has helped make Long Island the leading region in New York, with approximately 39% of the State's rooftop solar
- In 2023, customers' total installed solar capacity increased by 85 MW
- 2023 solar installations increased by 29% over 2022
- LIPA is on track to exceed its share of the State's 10,000 MW 2030 rooftop solar goal 3 years early

Meeting the Board's Expectations for **Power Supply Planning**

Plan for a reliable and clean power supply portfolio

- In November 2023, LIPA released its 2023 Integrated Resource Plan
- The IRP demonstrates that LIPA is well positioned to meet reliability requirements through 2030
- As new clean resources – including large-scale offshore wind projects, the Propel NY Energy transmission project (which will support up to 3,000 MW of offshore wind), and utility-scale energy storage – reach commercial operation, Long Island can begin phasing out fossil generators

Meeting the Board's Expectations for **Power Supply Planning**

Demonstrate innovation and leadership in reducing economy-wide GHG emissions through energy efficiency and beneficial electrification

- LIPA's residential and commercial energy efficiency programs have consistently met or exceeded CLCPA-related goals
- In 2023, PSEG Long Island deployed over 9,900 heat pumps under the home comfort heat pump incentive program, and the program is on track to exceed that amount in 2024
- LIPA has already exceeded its goal of 30,000 heat pumps by 2025. Noting that New York state has emphasized a 2030 target focused on dwellings, which is a shift from the historical focus on heat pump installations, LIPA has been monitoring our achievements based on dwellings since 2023 installing heat pumps in over 10,470 dwellings
- LIPA is planning to spend $230 million under a multi-year plan to build the infrastructure to support more than 14,000 chargers across Long Island

Meeting the Board's Expectations for **Affordability**

Consider the benefits and costs of its clean energy programs and power supply to achieve the greatest value for customers

Competitively procure the least-cost resources and programs, including using our not-for-profit cost of capital and using LIPA-owned land and generation sites

- LIPA's 2020 RFP for energy storage is concluding successfully with potentially three offtake contracts for 179 MW of cost-competitive utility-scale projects
- LIPA and NYSERDA are discussing arrangements for LIPA to pay its fair share of the cost of NYSERDA's clean energy procurement programs to meet statewide clean energy goals
  - Renewable energy credits ("RECs") from solar and wind farms
  - Offshore wind RECs ("ORECs")
  - "Indexed storage credits" from energy storage resources
- LIPA executed a 100 MW electricity "pre-pay" transaction in October 2024. This transaction is projected to reduce LIPA's power supply costs by approximately $4.5 million annually. Further transactions are under active consideration.

Meeting the Board's Expectations for **Affordability**

Regularly demonstrate efforts to minimize cost and maximize performance with contractual counterparties and through advocating with regulatory authorities for fair cost allocations

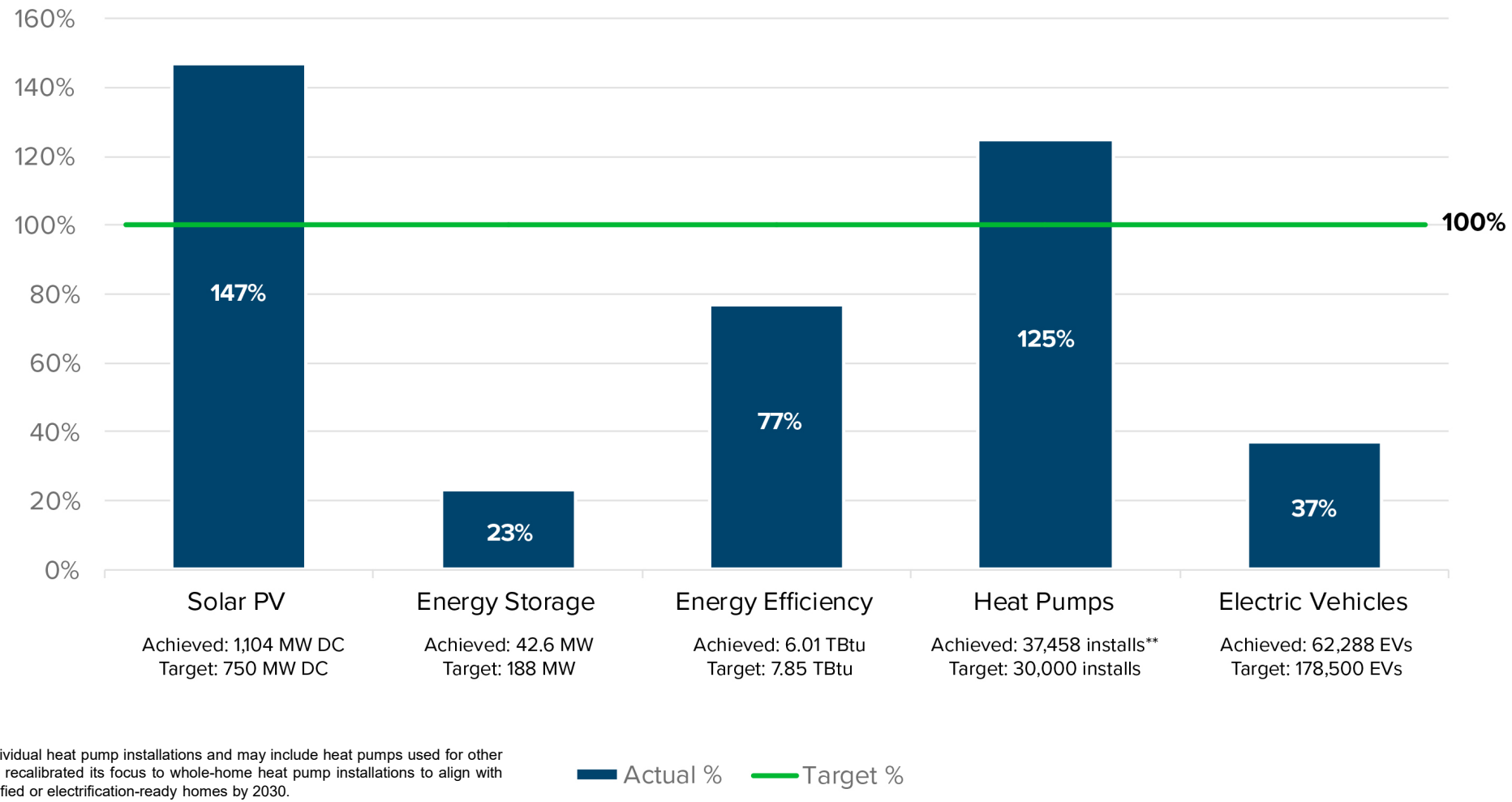
- LIPA successfully challenged PJM's transmission cost allocation for capacity exports over the Neptune cable, resulting in significant savings for LIPA customers
- LIPA's advocacy has helped ensure fair cost allocation for CLCPA-related transmission upgrades
  - $3.2B Propel NY Energy transmission project
  - Cost overruns for Western NY Public Policy Transmission Project
- LIPA continues to push for efficient market price signals during the transition to clean energy
  - Variable costs used for offshore wind dispatch offers
  - Storage proxy used for capacity market price-setting

Meeting the Board's Expectations for **Equity**

Improve equity for disadvantaged communities, by meeting or exceeding LIPA's share of New York's environmental justice goals for the energy sector

- Circuit Transit Inc. launched an electric micro-shuttle service in the Rockaways and Brentwood with a $7 million of grant funding from LIPA.
- LIPA has committed $2 million to help establish a Long Island-based Regional Clean Energy Hub partnership with NYSERDA and Cornell Cooperative Extension to work with community-based organizations on local initiatives for clean energy and energy efficiency.
- LIPA has 2024 OSA metrics that include a minimum of 35% spend on Disadvantaged Communities for its energy efficiency and beneficial electrification metrics
- LIPA has developed a tool to verify DAC spending on Clean Energy programs from 2020-2023. Based on current formulations in the Draft Guidance Document, LIPA exceeded the minimum DAC spending for 2023, and while the year is still underway, LIPA expects to exceed the minimum DAC spend in 2024. LIPA is awaiting approval of the Draft Guidance to provide verified numbers on DAC spending to NYSERDA as part of the statewide CLCPA DAC reporting process.

Progress to Date on LIPA's Clean Energy Goals*



* As of Q3 2024
** This target refers to individual heat pump installations and may include heat pumps used for other purposes. LIPA has since recalibrated its focus to whole-home heat pump installations to align with the state's goals for electrified or electrification-ready homes by 2030.

Questions?

FOR CONSIDERATION
December 18, 2024

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Consideration of Approval of the Annual Report on the Board Policy on Clean Energy and Power Supply

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution approving the annual report on the Board Policy on Clean Energy and Power Supply (the "Policy"), and finding that LIPA has complied with the Policy since the last annual review, which resolution is attached hereto as **Exhibit "A."**

Background

The Board originally adopted the Policy in June 2017. The last annual report and amendments to the Policy were adopted in May 2023. The Policy sets LIPA's vision for clean energy and power supply "to provide clean, reliable, resilient electricity to our customers at an affordable cost that both maintains the economic competitiveness of our region and minimizes the economy-wide greenhouse gas emissions of Long Island and the Rockaways by encouraging the electrification of vehicles, buildings, and equipment." The Policy also establishes regular performance reporting by LIPA Staff to enable the Board to assess performance against the objectives of the Policy.

Compliance with the Policy

LIPA Staff recommend that, for the reasons set forth below, the Board find that LIPA has complied with the Policy since the review of the Policy last year.

"To achieve our vision for Clean Energy, LIPA will:"

- "Achieve a zero-carbon electric grid by 2040, while meeting or exceeding LIPA's share of the clean energy goals of New York's Climate Leadership and Community Protection Act ("CLCPA"), including those for renewables, offshore wind, distributed solar, and storage."
    - Through direct contracting for clean energy resources and purchases of renewable energy credits, LIPA has made significant progress toward meeting the State's goals for renewables, offshore wind, distributed solar, and storage.
    - With regard to offshore wind, the CLCPA aims to achieve 9,000 MW by 2035, of which at least 3,000 MW is expected to be interconnected to Long Island. New York's first commercial-scale offshore wind farm, the 132 MW South Fork Wind Project, went into commercial operation in July 2024 under contract to LIPA. The project provides enough power to meet the needs of 70,000 homes on Long Island. Two other

projects, the 924 MW Sunrise Wind and the 810 MW Empire Wind I, are currently in development under contracts with NYSERDA. LIPA is supporting Sunrise Wind's connection to LIPA's grid network, whereas Empire Wind 1 will connect to the Con Edison system. LIPA participates in cost sharing for the NYSERDA contracted projects on the same pro-rata basis as the other load serving entities in New York and expects to receive credit for its energy purchases from South Fork against its proportionate obligation for the statewide program.

- The CLCPA seeks to achieve 10,000 MW (dc) of distributed solar by 2030. LIPA has already substantially exceeded its share of the State's 2025 goal, with over 1,100 MW of utility-scale, distributed, and rooftop solar projects in service, and is on track to exceed the 2030 goal at least three years early. Long Island continues to have the most robust rooftop solar market in the State (accounting for approximately 39% of the statewide solar market as compared to 13% of the state's load) with over 90,000 photovoltaic systems installed. In 2023, customer-side installed capacity increased 85 MW (AC) with incremental annualized energy savings of about 100,000 MWh. This was a 29% increase in 2023 over 2022, while nationwide solar installations decreased by 19%.
- LIPA is currently wrapping up contract negotiations to purchase dispatch rights from three Li-ion bulk energy storage systems totaling 179 MW at locations in Shoreham, Islip, and Babylon. These projects will position LIPA as a statewide leader in utility-scale storage and should meet most of LIPA's proportionate share of the State's storage goals in the pre-2030 timeframe.
- As of mid-year 2024, there is also approximately 23 MW of behind-the-meter customer storage installed, virtually all in conjunction with photovoltaic installations. LIPA continues to work with NYSERDA, DPS and other stakeholders to facilitate new distributed storage projects on Long Island. In this regard, LIPA and NYSERDA are finalizing an MOU committing LIPA to fund its proportionate share of NYSERDA's retail and residential energy storage procurement program for 2024-26.
- LIPA is working with the New York Independent System Operator and Propel NY Energy to develop a transmission project to bolster parts of the grid network on Long Island, in New York City and across Westchester County to support the integration and export of at least 3,000 MW from offshore wind projects interconnecting on Long Island. LIPA's role includes coordination and planning on project permitting and construction for Long Island-based facilities, and completion of certain network upgrades to the LIPA system. Construction is expected to commence in 2026.

- "Demonstrate innovation and be recognized among the leading utilities in reducing economy-wide greenhouse gas emissions through energy efficiency and beneficial electrification."

  - As of October 2024, LIPA's residential and commercial energy efficiency programs resulted in 646,286 MMBtu of energy savings, which is approximately 82% of the goal of 791,725 MMBtu of energy savings for the year.
  - As of Q3 2024, LIPA deployed whole house heat pumps in over 10,470 dwellings across all customer sectors. As was the case in 2023, total heat pumps counts are based on housing units served by whole house heat pumps, as this approach is consistent with the Governor's 2 Million Heat Pump ready initiative. Long Island's share of the statewide goal is 67,769 dwellings with whole house heat pumps by 2030.

- LIPA has an estimated $230 million plan to build the infrastructure for more than 14,435 chargers across Long Island and the Rockaways by 2031 to support nearly 290,000 expected electric vehicles in the region.

- "Improve equity for disadvantaged communities, as measured by meeting or exceeding LIPA's share of New York's environmental justice goals as defined by the CLCPA and the Climate Justice Working Group, including ensuring that disadvantaged communities receive 40% of the overall benefits of clean energy, energy efficiency, energy assistance, and energy transportation investments, but not less than 35% of the overall benefits of spending on clean energy and energy efficiency programs, projects or investments."

  - In 2020, LIPA offered a Community Solar feed-in tariff for up to 20 MW of new renewable resources whose benefits will be directed toward low and moderate-income customers. As of 2024, five PPA's have been executed for 12.0 MW with three projects totaling 7 MW currently in construction. Accordingly, eligible customers are now being identified as beneficiaries of this clean energy to help meet the goals for disadvantaged communities.
  - In 2022, LIPA launched a new community college scholarship program to fund 50 scholarships over the next 5 years for students seeking education and training in careers related to the electric utility industry. The LIPA Scholarship will provide full tuition, fees, and books to students with the goal of attracting local talent from specified underserved communities on Long Island and the Rockaways.
  - Circuit Transit Inc., a recipient of the 2022 New York Clean Transportation Prize winner in the Electric Mobility Challenge category, is now operating a micro-shuttle service for the Rockaways and Brentwood. The service was made possible by LIPA's award of $7 million for innovative projects that expand access to clean, electric transportation and lower vehicle emissions in historically disadvantaged communities. Circuit has provided Rockaways residents with over 5,000 rides since December 2023 and launched its newest service in Brentwood in September 2024.
  - In 2022, LIPA funded a $30,000 grant to the Shinnecock Nation to assist income-eligible residents in learning about and applying for LIPA's low and moderate-income assistance programs. Customers receive discounts on electric service and enhanced rebates for energy efficiency and clean technologies (e.g. heat pumps).
  - LIPA's 2024 Budget funds $2 million for a Long Island Regional Clean Energy Hub, which is managed by NYSERDA and Cornell Cooperative Extension. The Hub's mission is to partner with community-based organizations in providing outreach and education services in clean energy and energy efficiency, and integrate those with social services, housing, economic development, health, and training, particularly in disadvantaged or underserved communities.
  - LIPA has been participating in the statewide process to define disadvantaged communities and meet its share of CLCPA goals. As part of the 2024 OSA performance metric, LIPA has been tracking and verifying the performance against the disadvantaged communities goal and has developed internal tracking tools to facilitate this effort.
  - Based on current formulations in the Draft Guidance Document, LIPA exceeded the minimum DAC spending for 2023, and while the year is still underway, LIPA expects to exceed the minimum DAC spend in 2024. LIPA is awaiting approval of the Draft

Guidance to provide verified numbers on DAC spending to NYSERDA as part of the statewide CLCPA DAC reporting process.

"To achieve our vision for Reliable Power Supply, LIPA will:

- "Plan for a power supply portfolio that meets or exceeds industry standards for reliability, as demonstrated through Integrated Resource Plans conducted no less than every five years and by implementing the actionable recommendations of those plans in a timely manner."

    - In November 2023, LIPA released its 2023 Integrated Resource Plan ("IRP"). The release of the IRP was accompanied by briefings for the LIPA Board, state officials and other stakeholders, press releases, a Newsday editorial by LIPA's CEO, a webpage with links to a Summary Guide, FAQs and informative videos, targeted emails and three public comment sessions on Long Island.
    - Following the publication of the IRP, PSEG Long Island completed follow-on studies to examine local capacity needs under various generation retirement scenarios, among other studies. PSEG Long Island plans to update the IRP base case in 2025 for internal use.
    - Existing Long Island capacity and currently planned additions are expected to meet the NYISO's minimum Locational Capacity Requirement ("LCR") through at least 2030. The current LCR of 107.3% of peak load is satisfied mainly with fossil-fueled generation and a smaller contribution from renewable resources. As the new Propel NY Energy transmission project together with offshore wind and energy storage resources begin to reach commercial operation, Long Island will be in position to phase out a portion of the existing fossil-fuel generation in a manner that continues to satisfy the LCR and system reliability.
    - In recent years, all third party-owned generation under contract with LIPA met or exceeded contract targets.
    - LIPA continues to work cooperatively with intertie owners to ensure continued reliable transmission service for power imports. In 2023, the New York Power Authority completed extensive replacement of the Long Island land-based portion of the Y-49 cable, to help ensure the cable will provide reliable service for many years to come.
    - LIPA is participating with the state's other transmission owners in the NYISO Coordinated Grid Planning Process to better integrate the studies performed at the local level with the NYISO's bulk power system planning and generation interconnection processes, improve the integration of local T&D and bulk system studies with NYSERDA's renewable generation and storage procurements, and improve forecasting of renewable generation development for specific locations on the local T&D and bulk transmission grid.

"To achieve our vision for Affordability, LIPA will:"

- "Consider the benefits and costs of its clean energy programs and power supply to achieve the greatest value for our customers."

- "Competitively procure the least-cost resources and programs that meet our clean energy and reliability objectives, including using our not-for-profit, tax-exempt cost of capital to finance

assets or pre-pay for energy, and using LIPA-owned land or exercising LIPA's rights to acquire generating sites."

- LIPA's pending contracts for bulk energy storage were procured through a competitive RFP. Consistent with LIPA's objective to repurpose fossil sites for clean energy, two of the projects are located next to existing fossil generating units destined for future retirement. The contracts are structured as build-own-operate-optional-transfer ("BOOOT") arrangements, which achieves two important objectives: 1) to protect LIPA from startup and operational risks in the first seven years of the projects' lives and 2) to take advantage of LIPA's access to tax-exempt debt to finance the asset acquisition at the end of the BOOOT term, thereby lowering total costs to customers.
- LIPA continues to work with NYSERDA and the Department of Public Service to develop the implementation plan for New York's 6 GW Energy Storage Roadmap. NYSERDA anticipates conducting annual procurements for "indexed energy storage credits," similar to the approach used for RECs and ORECs, to achieve the CLCPA targets for energy storage. LIPA and NYSERDA have exchanged ideas on a crediting mechanism for LIPA-procured storage against LIPA's proportionate cost responsibility for the statewide program.
- LIPA plans to meet a major portion of its future CLCPA-driven Tier 1 Renewable Energy Credits ("REC") and OREC ("Offshore Wind REC") targets by participating in the statewide program administered by NYSERDA, which acts as the central procurement administrator for contracting with eligible generators through annual competitive solicitations. As of year-end 2024, LIPA and NYSERDA are in discussions to complete a Tier 1 REC purchase agreement for LIPA's proportionate share of the statewide program.
- LIPA executed a 100 MW electricity "pre-pay" transaction in October 2024. This transaction is projected to reduce LIPA's power supply costs by approximately $4.5 million annually. Further transactions are under active consideration.

- "Regularly demonstrate efforts to minimize cost and maximize performance with contractual counterparties and through advocating with regulatory authorities for fair cost allocations for Long Island and Rockaways electric customers."

  - LIPA worked with Neptune Cable to challenge the PJM regional transmission organization's allocation of costs for new transmission facilities within its system to customers that use the facilities to export capacity, such as LIPA's use of the Neptune cable. Along with other merchant transmission providers, LIPA is working to achieve a settlement with the PJM Transmission Owners that, if approved by FERC, is likely to result in significant saving for customers.
  - In 2022, LIPA and Con Edison successfully petitioned the PSC to more appropriately allocate the cost of certain offshore wind transmission facilities to reflect LIPA's overall load ratio share (which is approximately 13%).
  - LIPA successfully advocated for the LI Export Public Policy Transmission Need ("PPTN") Propel NY Energy project, which offered the best combination of low cost and high export/import and interconnection flexibility out of many contending project proposals. LIPA expects the project will deliver significant net benefits to ratepayers over its lifetime.

- In 2023, LIPA and PSEG ER&T successfully worked with NYISO to set Off-Shore Wind ("OSW") reference offer prices at OSW's marginal variable costs. NYISO had originally proposed to set reference prices at the all-in contract cost for the South Fork project, preventing the economic dispatch of wind in nearly all hours. By allowing a realistic reference price and dispatch pattern, LIPA customers are estimated to save about $240 M in marginal fuel cost savings over a 10-year period.
- In 2024, LIPA worked with the other New York Transmission Owners and DPS to reclassify about $60 M in Western NY PPTN cost overruns as "foreseeable", thus subject to a reduced return on equity. LI customers will save about $3 M over a 10-year period.
- In 2024, LIPA worked with the state's other transmission owners and load interests to advocate for a 2-hour battery storage proxy as part of NYISO quadrennial demand curve reset process. The demand curve is an important determinant of the market cost of generating capacity to load serving entities like LIPA. Once ratified by FERC and the courts, this change is estimated to save New York consumers $1.6 B annually compared to using a conventional fossil proxy. Although LIPA is currently largely hedged against capacity market price increases, over the longer-term LIPA expects the change will benefit its customers significantly.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management ("ERM"). Enterprise risks are brought to the Board's attention throughout the year. There is one major risk related to the Policy that is representative of both LIPA and PSEG Long Island. The risk is *Suboptimal planning and/or CLCPA execution of the overall strategy including projects and other activities to achieve LIPA's portion of the New York State climate goals could result in insufficient resource allocations, reduced system reliability, increased customer costs, and negative public perception*.

The CLCPA project execution risk is highly rated and among the top risks reported to the F&A Committee. This risk is being mitigated by evaluating changes in projects, load forecasts, markets, and by modifying resource plans accordingly to ensure reliability and minimize customer bill impact. We are also active participants with NPCC, NYSRC, NYISO and NYS DPS through various technical committees to ensure appropriate assumptions and studies are conducted to maintain system reliability. There is proactive communication with various stakeholders through the Project Council and TDPCC to discuss major transmission project drivers such as PPTN, East End retirements, grid planning and incorporate feedback into study assumptions and recommendations. As a result of the mitigation actions in place and underway, we believe this risk is being effectively managed.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and recommend no changes at this time.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution

Exhibit "A"

RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CLEAN ENERGY AND POWER SUPPLY

WHEREAS, the Clean Energy and Power Supply Policy (the "Policy") was originally approved in July 2017; and

WHEREAS, the last annual report and amendments to the Policy was in May 2023; and

WHEREAS, the Oversight and Clean Energy Committee (the "Committee") of the Board of Trustees has conducted the annual review of the Policy and has recommended that the Policy has been complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: December 18, 2024

Briefing on Board Policy on Customer Experience

Presented by: Suzanne Brienza, VP of Customer Experience & Clean Energy
Prepared for: LIPA Board of Trustees

December 17, 2025

Discussion Topics

- Board Policy Objective
- Policy Compliance

Bill Guarantee

Board Policy Objectives

Board Policy Objectives

Policy Component	Metric/Initiative
Deliver top quartile performance in J.D. Power's utility residential and business customers satisfaction studies and on industry-standard service metrics	• CS-02 – J.D. Power Customer Satisfaction Survey (Residential) • CS-03 – J.D. Power Customer Satisfaction Survey (Business) • CS-11 – Contact Center Service Level with Live Agents • CS-13 – First Call Resolution • CS-19 – Customer Complaint Rate • CS-31 – Average Handle Time
Demonstrate continual improvement in customer satisfaction, ease of interaction, and value as measured by internal, end-to-end customer post-transaction assessments	• CS-02 – J.D. Power Customer Satisfaction Survey (Residential) • CS-03 – J.D. Power Customer Satisfaction Survey (Business) • Outage Surveys • Customer Transaction Surveys
Invest in technologies to enhance the service, flexibility, convenience, and cost-effectiveness of billing, payment, appointments, emergency restoration, and other customer interactions	• Credit Card Enhancements • Move Process Automation • IVR Enhancements • Customer Information System (CIS) Replacement • Payment Kiosks • Outage Cause
Ensure simple, accurate, and proactive customer communications related to customer billing, energy usage, emergency response, and estimated times of restoration	• Outage Surveys • Customer Transaction Surveys
Effectively target communications across customer segments and socioeconomic groups, with particular attention to low income and disadvantaged communities	CS-17 – Low to Moderate Income Program Participation
Evaluate the success of our rate options, clean energy programs, and other offerings by customer adoption and satisfaction and use the information to regularly review and improve our offerings	• PSC&E-8 – Transition to Standard TOD Resi Rates • PSC&E-16 – Residential Participation Rates • PSC&E-13 – Heat Pump Initiative

LIPA

Bill Guarantee

Board Policy Compliance

“Deliver top quartile performance in J.D. Power’s utility residential and business customer satisfaction studies and on industry-standard customer service metrics.”

Metric/Goal	Initiatives	Results
• J.D. Power Electric Utility Customer Satisfaction Survey (Business)	• Customer One Program • Business First (B1) Programs • Monthly Webinars • Personalized Communications • Executive Contact Program • Community Outreach • B1 Advocates (Hybrid Model) • Case Studies/Testimonials	• Ranked highest in customer satisfaction among business customers in the East Large Segment
• J.D. Power Electric Utility Customer Satisfaction Survey (Residential)	• Customer One Program • Enterprise-wide commitment to CX • Employee Engagement and Training	• Twelfth position out of eighteen. YE results in mid-December
• Contact Center Service Level with Live Agents • Average Handle Time • First Call Resolution	• Increase call center staffing • Knowledge Management Database • Updating representative’s scorecards • Low performers, in office	• Expected to make goals at YE
• Billing Accuracy	• System improvements • AMI meter data	• Cancel and rebill at 0.15% • TOD Billing Exceptions at 0.8%
• Customer Complaint Rate		• Ranked first in in the State with the lowest number of customer complaints

“Demonstrate continual improvement in customer satisfaction, ease of interaction, and value as measured by internal, end-to-end customer post-transaction assessments.”

Survey	Initiatives	Results
• Customer Transaction Survey	• Move Process Automation	• Decrease in call center call volume for Move In/Move out

	Customer Satisfaction		Ease of Transaction	
	2024	2025*	2024	2025*
Phone	95%	96%	94%	94%
MyAccount	78%	82%	84%	82%
Mobile App	76%	89%	88%	83%
Email	60%	60%	60%	60%
IVR	94%	93%	94%	94%

*YTD as of October 2025

Survey	Initiatives	Results
• Outage Survey	• Outage Cause Code • Enhanced Communications to consistently provide cause code	• Score rose to 53% from 33%

“Invest in technologies and ensure simple accurate, and proactive communications…”

Program/Initiative	Status/Outcomes
• Customer Information System (CIS) Replacement	• Re-establish the joint LIPA/PSEG Long Island Steering Committee • Issuance of the RFPs for the new CIS Solution and System Integrator is planned for 2026
• Credit Card Processor Replacement and Enhancements	• More intuitive and streamlined credit card experience • Modern payment methods • Enroll in autopay with saved digital wallet
• Move Process Automation	• Visual IVR to other self-service channels • Reduced move-related call volume requiring an agent by 10% • Remain in your channel of choice
• Payment Kiosk Enhancements	• More than 16,000 customer utilized • 56,968 payments totaling $22M • Fifth kiosk placed in Patchogue facility
• Outage Root Cause	

“Effectively target communications across customer segments and socioeconomic groups, with particular attention to low income and disadvantaged communities.”

Metric	Initiatives	Status/Outcomes
• Low to Moderate Income Program Participation	• Partnered with more than 100 community agencies directly assisting customers • Partnered with Public Housing agencies – customer enrollment through shared eligibility criteria • Community Advisory Board subcommittee established to augment current outreach efforts and brainstorm ideas • Discontinue unenrollment through 11/2026 • Expand eligibility lookback period to 18 months • Expanded promotion – NICE buses and waiting stations • Weekly emails	• Achieved goal • Surpassed 40,000 by enrolling 40,558

“Evaluate the success of our rate options, clean energy programs and other offerings by customer adoption and satisfaction...”

Metric/Program	Initiatives	Status/Outcomes
• Transition to Standard TOD Resi Rates • TOD - Residential Participation Rates	• Last migration group is currently being enrolled in TOD • Focus on education and retention in 2026	• As of 12/5 over 817,000 customers enrolled • 96% participation rate
• Low to Moderate Income Program Participation	• Enrollment automation	• Remaining steady, over 40,000 customers enrolled
• Heat Pump Program	• Increased targets • Improved program to make it easier for contractors to participate – ACH payments • Increase outreach to non-traditional contractors • $11,000 incentive to LMI customers	• Targets on track
• Retail Energy Storage	• Redesign incentives • Updating marginal cost of service • Evaluating how to increase locational portion of the value stack to provide additional market incentives in the areas where the grid is most in need of energy storage	

Questions?

Suzanne Brienza

VP Customer Experience and Clean Energy

FOR CONSIDERATION
December 17, 2025

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Approval of the Annual Report on the Board Policy on Customer Experience

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Customer Experience (the "Policy"); and (ii) finding that LIPA has substantially complied with the Policy, which resolution is attached hereto as **Exhibit "A."**

Background

In July 2017, the Board adopted the Policy with the purpose of providing a framework to achieve a high level of customer service and satisfaction. In November 2021, the Board collaborated with Leading Resources, Inc. to review the Policy and facilitate discussions among the Trustees regarding amendments to the Policy. At the November 2021 meeting, the Board adopted a revised Customer Service Policy, which was subsequently renamed the Customer Experience Policy. The Policy provides that "the Chief Executive Officer, or his or her designee, will report annually to the Board on compliance with the key provisions of the Customer Experience Policy." The Board conducted the last annual review of the Policy in November 2024.

Compliance with the Policy

This report covers customer experience activities from the Board's November 2024 review to the present. PSEG Long Island has demonstrated improvement in call center operations, as well as progress in J.D. Power's utility business customer satisfaction study, as further described below. LIPA Staff recommend that, for the reasons set forth below, the Board find that LIPA has substantially complied with the Policy since the last review, as LIPA staff continue to work with PSEG Long Island to improve service delivery to customers.

Compliance with each element of the Policy is discussed in detail below, including areas designated for improvement.

"Deliver top quartile performance in J.D. Power's utility residential and business customer satisfaction studies and on industry-standard customer service metrics."

- For 2025, PSEG Long Island ranked the highest in customer satisfaction among business customers in the East Large Segment, according to J.D. Power Electric Utility Business

Customers Satisfaction Study. PSEG Long Island improved its ranking from eleven out of twelve utilities, in the fourth quartile, to number one overall.

- With three out of four waves reported, PSEG Long Island is currently in twelfth position out of eighteen utilities for J.D. Power Residential Customer Satisfaction Study. Year-end 2025 results will be made available in mid-December.
- PSEG Long Island did not meet the Contact Center Service Level with Live Agent Calls in 2024, ending the year at 42% compared to a goal of 77%. In 2025, efforts to improve service level, such as increasing call center staffing levels, implementing a Knowledge Management Database, including average handle time (AHT) as a goal on the representatives' scorecard and bringing low performers into the office led to improved performance. Significant improvement has been achieved, with the Contact Center reaching 76.5% through December 1, 2025. Improvement is also shown in the other contact center metrics, such as AHT. Through December 1, 2025, AHT is at 430 seconds vs. 472 seconds as of year-end 2024.
- PSEG Long Island continues to maintain billing accuracy with customer invoice cancel and rebill holding steady at 0.15%. The utilization of AMI meter data has been crucial to this effort in conjunction with continued attention to ensure system upgrades and process changes do not impact current accuracy levels.
- PSEG Long Island billing for Time of Day (TOD) billing exceptions have been held, through system improvements, to a level of 0.8% throughout 2025 including migration through group 8 customer transition. The exceptions are tracked by resource level, illustrating that 2/3 of the TOD billing exceptions require minimal resource need to resolve the exception.
- PSEG Long Island has been ranked first in the State for all of 2025 with the lowest number of customer complaints among New York State utilities registered with the Department of Public Service.

"Demonstrate continual improvement in customer satisfaction, ease of interaction, and value as measured by internal, end-to-end customer post-transaction assessments."

- PSEG Long Island continued surveying customer interactions in 2025 to understand customers' overall satisfaction and transaction-ease for the top five interactions including billing, payment, collections, service change, and outage as well as other general inquiries. The customer interaction channels surveyed included live agent phone, MyAccount, the mobile app, email, and the Interactive Voice Response (IVR) system.
- Customer survey feedback was used to identify improvement opportunities and prioritized them into technology projects aimed at enhancing the customer channel experience. The surveys also helped surface design and process issues in recently deployed customer channel enhancements, including Move Process Automation project, which led to further refinements.
- Customer satisfaction and transaction-ease scores remained high across all channels in 2024 and 2025, with the exception of Email. Enhancing the capabilities of the other channels is intended to guide customers toward more satisfying digital options such as MyAccount, mobile app or the IVR to resolve their issue.

	Customer Satisfaction		Ease of Transaction	
	2024	2025*	2024	2025*
Phone	95%	96%	94%	94%
MyAccount	78%	82%	84%	82%
Mobile App	76%	89%	88%	83%
Email	60%	60%	60%	60%
IVR	94%	93%	94%	94%

*YTD as of October 2025

"Invest in technologies to enhance the service, flexibility, convenience, and cost-effectiveness of billing, payment, appointments, emergency restoration, and other customer interactions. Ensure simple, accurate, and proactive customer communications related to customer billing, energy usage, emergency response, and estimated times of restoration."

- PSEG Long Island efforts included both long-term and short-term projects designed to enhance the customer experience. Longer-term projects include establishing the foundation to implement a state-of-the-art Customer Information System, Customer Contact platform, credit card processor replacement, and move process automation.
    - Customer Information System (CIS) Replacement - Customer Information System pre-implementation program work resumed in mid-2025 by reestablishing the joint LIPA/PSEG Long Island Steering Committee after a two-year pause of the project to focus on the Time-of-Day and system separation implementations. Issuance of the RFPs for the new CIS solution and system integrator is planned for 2026.
    - IVR Enhancements – Beginning in December 2024 and continuing throughout 2025, ongoing enhancements were implemented to streamline the call flow, address scripts with high customer failure rates, and enable new transaction types. These improvements were designed to resolve customer inquiries within the automated system, reducing the need for transfers and ultimately improving the overall customer experience.
    - Credit Card Processor Replacement - PSEG Long Island transitioned to a new credit card processing vendor in January 2024. System enhancements implemented in first quarter of 2025 include a more intuitive and streamlined credit card payment experience across all channels and acceptance of more modern customer payment methods including PayPal, Google Pay, and Apple Pay. The second phase of the project included a self-serve expansion to enroll in autopay with a saved digital wallet payment method. The self-serve expansion removes the manual resource required to enroll a customer in auto pay and provides greater payment control for the customer.
    - Move Process Automation – Move request transactions have the longest handle time compared to all other customer transactions and were not previously available as a full self-service option due to the lack of automation. In 2025, PSEG Long Island added visual IVR to the other self-service channels (website, MyAccount,

mobile app), which were recently enhanced to accept and process move requests. Since its implementation, the visual IVR has reduced move-related call volume requiring an agent by 10%. In addition to call reduction, expansion of this transaction in self-service allows customers to remain in their channel of choice.

- Payment Kiosks – PSEG Long Island introduced a new self-service payment channel to customers in November 2023 by installing payment kiosks at 4 customer offices by mid-2024. The systems have intuitive screen flow to guide the customer through the payment process and accept various payment methods including cash, credit, debit, and electronic check. In 2024, the kiosk functionality was expanded to offer payment arrangement enrollment. Through September 2025, more than 16,000 customers have utilized the kiosks making 56,968 payments totaling more than $22 million. A fifth kiosk was placed at the Patchogue facility and operational as of September 2025. The scheduled installation was slightly delayed due to site permitting issues.
- Outage Root Cause – In the outage surveys, the "utility informing the customer of the cause for the unplanned outage" was consistently the lowest scoring question. In 2023, only 33% of survey respondents scored PSEG Long Island favorably for letting them know the cause of the outage. To address this, PSEG Long Island enhanced customer outage communications to consistently provide the root cause to customers. As a result of these enhancements, the October 2025 YTD score rose to 53%. To support continued improvement, an outage cause code metric has been introduced for 2026.

"Effectively target communications across customer segments and socioeconomic groups, with particular attention to low income and disadvantaged communities."

- PSEG Long Island successfully achieved the 2025 Household Assistance Rate enrollment metric in the first quarter of 2025. The focus on achieving enrollment of more than 40,000 customers without automation was surpassed with 40,558. Automation efforts continue in 2025 with Nassau, Suffolk and NYC social service agencies to reduce customer effort and maintain enrollment in the program. A prior communication study in 2023 illustrated that communication segmentation did not positively impact enrollment and highlights the need for expanded automation.
- PSEG Long Island partnered with more than 100 community agencies directly assisting customers to obtain utility funding through social service and non-profit programs. In 2025, additional partnerships with Public Housing agencies afforded eligible customer enrollment through shared eligibility data.
- In May 2025, the Community Advisory Board created an affordability subcommittee to augment current outreach efforts and brainstorm ideas to create an avenue to remove redundancies, educate and solidify partnerships, and gain valued trust in the communities with LIPA partnerships. This included a deeper relationship with CDLI to include training in offered programs to their case managers, assistance at rental sign-ups, and planned events as well as with The Energy Hub to offer guidance, partnership, and assist with

formalizing connections with social service agencies. Additional support for Uniondale Land Trust with outreach and introduction to Advocacy at PSEG Long Island was valued.

- In November 2025, a New York State order was passed to stop unenrollment in the low-income rate program through November 2026 for those customers who do not renew as of October 1, 2025. This was in direct response to the delay in opening the Low-Income Home Energy Assistance Program (LIHEAP). In addition, the order clarified that the eligibility documentation was expanded to an 18-month period vs the prior 12-month look back period. These efforts adopted by LIPA are being implemented by PSEG Long Island and for 2025 retaining over 3,000 customers on the low-income program who otherwise would have been removed.
- PSEG Long Island promoted and educated customers on low-income programs through new channels including signage on NICE buses and waiting stations in underserved communities. As communication to the low-income community is key to share available program information, weekly emails are sent to identified zip code areas with highlights and where PSEG Long Island consumer advocate are located to assist in person.

"Evaluate the success of our rate options, clean energy programs, and other offerings by customer adoption and satisfaction and use the information to regularly review and improve our offerings."

- PSEG Long Island deployed the two Time-of-Day rates in November 2023 and the Off-Peak rate became the standard residential rate offering in January 2024. As of December 1, 2025, 9 of the 10 planned customer groups were migrated to the new rate. Over 805,000 customers are enrolled in the Off-Peak or Super-Off Peak TOD rate, representing a 96% participation rate of eligible customers.
- Overall enrollment in the Household Assistance Rate (HAR) for low to moderate-income customers has remained steady with enrollment year to date 2025. The PSC order highlighted previously will ensure that eligible customers remain on the low-income rate through November 2026, providing program continuity for those most in need. A program was developed in 2022 to automate enrollment based on participation in social service programs. The automation program was incorporated into the 2024 and 2025 metric to encourage social service partnerships and increase low-income enrollments. Efforts towards completing this automation process have continued throughout 2025. As a result, PSEG Long Island is working towards finalizing vendor agreements and negotiating with key stakeholders, with implementation for automation expected in 2026.
- LIPA secured New York State utility funding to provide customers with an additional bill discount in 2024 of more than $8, with expanded discount tiers to include customers receiving an alternate source heating benefit. The expanded tier enrollment continued in 2025 has assisted more than 16,000 non-electric heating low to moderate income customers to support a 6% energy burden.
- The heat pump program continues to be popular among customers and surpassed the 2022, 2023 and 2024 metric targets for the incentive program rebates. In 2025, LIPA implemented higher heat pump incentive targets up to 5,331 whole home dwellings, up

from 3,600 in the previous. Despite higher targets, that target appears on track while also maintaining a consistently generous heat pump incentive for LMI customers of $11,000. We have also improved the program to make it easier for contractors to participate in the program by tackling administrative hurdles by offering ACH payments to nearly all of our participating contractors and requesting the service provider to double down on outreach to non-traditional contractors such as plumbing and boiler contractors to drive adoption of air-to-water heat pumps and heat pump water heaters, which continue to see growth opportunities. LIPA has completed a study of fleet electrification needs on Long Island and is working with PSEG Long Island to improve the Fleet Make Ready program by opening up eligibility of this program to private fleets in order to garner more insights about fleets at large.

- Long Island continues to be a leader in customer adoption of rooftop solar through LIPA's net metering, Community Distributed Generation, and Value of Distributed Energy Resources tariffs. LIPA has surpassed its solar generation goals.
- LIPA is working with PSEG Long Island to redesign our incentives for retail energy storage. This includes updating the marginal cost of service, which will make the DER value stack more lucrative to battery storage developers. LIPA is also evaluating how to increase the locational portion of the value stack to provide additional market incentives in the areas where the grid is most in need of energy storage.
- LIPA is partnering with other state agencies and stakeholders to engage local governments around how energy storage projects can be sited in their areas in ways that are safe, This is being done to hopefully see the end of local moratoria on energy storage projects.
- LIPA has finalized plans to send $2.7M in clean energy program funding to the Homes and Community Renewal office (HCR). HCR will then use this as direct-inject incentives to support efficiency and beneficial electrification work in the rehabilitation of multi-family residences in low-income communities.
- LIPA is engaging a small AI firm to conduct a pilot project evaluating how AMI data can be evaluated to understand which households in a given area have specific technologies like heat pumps, EV chargers, smart thermostats, etc. This information may considerably improve PSEG LI's ability to target demand response program enrollment efforts.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management. Enterprise risks are brought to the Board's attention throughout the year. There are three risks related to this Policy. The first risk is "Customer and stakeholders' dissatisfaction with PSEG Long Island's response to a storm or major event can result in increased negative perception and/or averse reputational impact." The second risk is related to decreased call center performance, which could result in negative customer perception and reputational impact. The third risk is "TOD rate implementation" which could result in greater than forecasted opt-outs, lower than anticipated customer and system benefits, and negative reputational impacts.

The customer and stakeholders' dissatisfaction with a storm risk is rated as a high-level risk. In

the customer experience area, PSEG Long Island mitigates this risk with oversight from LIPA through extensive testing of communication systems, development of a non-digital communication library of messages (e.g., radio, outreach centers) to keep customers informed, a quality control plan to ensure consistency of messaging across communication channels, and an Emergency Response Plan for customer communication protocols during restoration. PSEG Long Island has worked to improve relationships with customers and the media and has developed an updated crisis communications plan. We believe this risk is being managed to meet overall customer expectations.

The decreased call center performance risk emerged over the course of 2022 with an increased number of calls being unanswered and wait times exceeding acceptable levels. When identified in 2022, this risk was the result of insufficient staffing, increased call volume and average handle time, and high shrinkage resulting in reduced efficiencies. Over the course of 2025 significant progress has been made with new hires, implementation of a knowledge management database, among other improvements implemented in 2024. While this risk is still being monitored, the overall risk rating has been reduced and increased performance attributed to the focus and diligence of PSEG Long Island over the last two years in managing this risk.

The TOD rate implementation risk was highlighted in 2025 due to the bulk of customer migrations occurring throughout the year and potential risks associated with customer opt-outs. With 9 of the 10 groups migrated the transition thus far has been smooth. When the migration is completed the success of the program will be evaluated based on customer satisfaction, customers remaining on the TOD rate and the system benefits achieved. To date, the migration for customers to a TOD rate structure has been a success story and an example for other utilities to follow.

Based on the progress made in managing each of these risks, we believe these risks are being adequately managed.

Annual Review of the Policy

LIPA Staff has reviewed the Policy for this annual review and proposes no changes at this time.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution

Exhibit "A"

RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER EXPERIENCE

WHEREAS, in July 2017, the Board originally adopted what was then known as the Customer Service Policy (the "Policy") for the purpose of providing a framework to achieve a high level of customer service and satisfaction; and

WHEREAS, in 2021, the Policy was amended by the Board where the Board, among other substantial edits, renamed the Policy to the Board Policy on Customer Experience to more fully reflect the Board's strategic direction in this area; and

WHEREAS, the Board's last annual review of the Policy was in November 2024; and

WHEREAS, the Oversight and Clean Energy Committee of the Board has conducted an annual review of the Policy and recommends that the Board approve the annual report.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: December 17, 2025

Annual Report on Transmission and Distribution Operations

Presented by: Billy Raley, Senior Vice President of Transmission & Distribution

November 13, 2024

Discussion Topics

- Board Policy on Transmission and Distribution Operations
- Policy Compliance and Overall Assessment
- Risk Management

Board Policy on Transmission and Distribution Operations

It is LIPA's **Board Policy on Transmission and Distribution Operations** to:

- Provide **top decile reliability** among peer utilities as measured by system average duration, excluding major events.
- Improve circuit conditions that cause a customer to experience four or more sustained outages or six or momentary outages in any 12-month period.
- Utilize modern system design and technology to anticipate and minimize outages, monitor system condition, provide for preventative and predictive system maintenance, and facilitate the efficient and timely interconnection of renewable and distributed resources.
- Safeguard people and protect facilities and functions that support operations from unauthorized access or disruption through vulnerability assessments and risk mitigation.
- Mitigate the effects of climate change through multi-year programs that reduce the number and duration of outages after significant system disruptions.
- Assure timely and accurate communication to customers about outages and restoration times.
- Independently verify that emergency restoration plans are complete and tested.

Jones Beach Energy and Nature Center I Wantagh, New York

Policy Compliance & Overall Assessment

Meeting the Board's Expectations for Reliability & Resiliency

✓ **Provide Top Decile Reliability to Our Customers**

- The 2023 System Average Interruption Duration Index (SAIDI) performance of 56.3 minutes falls within the top decile industry peer standard of 57.2 minutes.
- Performance for other major reliability indices falls within top decile (CAIDI) and top quartile (SAIFI).
- The 2024 reliability performance is slightly lagging 2023 performance due primarily to increased storm activity during the first half of the year. At present, the 2024 OSA targets for SAIDI, SAIFI and MAIFI are at risk of not being met.
- System average sustained and momentary frequency performance translates to a customer experiencing one sustained outage approximately every 18 months and one momentary outage every 8 months.

✓ **Improve circuit conditions that cause a customer to experience four or more sustained outages or six or more momentary outages in any 12-month period**

- Our focus on customers experiencing far more sustained outages than the system average has led to creating a metric that focuses on the customer outage experience; tracked in tiers of ≥6, ≥8, ≥10 and ≥12 outages within a single year. Currently, we have almost completely eliminated occurrences of customers experiencing ≥10 sustained outages in a year, while also reducing those with ≥6 to under 2,500 (0.2%) of all our customers.
- In 2023, approximately 4.4% of our customers experienced six or more momentary outages, a significant improvement from a level of nearly 10% when this became a Board policy objective and metric several years ago.

Meeting the Board's Expectations for Reliability and Resiliency

✓ **Utilize Modern System Design and Technology to Anticipate and Minimize Outages, Monitor System Condition, Provide for Preventative and Predictive System Maintenance, and Facilitate the Efficient and Timely Interconnection of Renewable and Distributed Resources**

- LIPA has required the development of a roadmap for an Enterprise Asset Management System (EAMS), including compliance with ISO 55001 asset management standards, to anticipate and minimize outages and provide the analytic tools and processes for modern preventative and predictive maintenance.
- This effort includes a complete inventory of Transmission and Distribution assets beginning in June 2022 that continues at present. These initiatives, which include asset inventory, governance, and system implementation, were incorporated into the 2022, 2023, and 2024 performance metrics as part of a multi-year implementation effort.

✓ **Safeguarding Our Critical Assets**

- As of year-end 2023, there was successful completion of all metric deliverables emanating from an independent third-party consultant Physical Security assessment completed in Q4 2022.
- In Q4 2023, a multi-disciplinary working group consisting of LIPA and PSEG Long Island senior leadership and staff was created. The primary objective is to develop and execute a multi-year integrated plan to enhance physical security technology and measures at our facilities, prioritizing those facilities that are most critical to operations.

Meeting the Board's Expectations for Reliability and Resiliency

✓ Mitigate the Effects of Climate Change through Multi-Year Programs that Reduce the Number and Duration of Outages After Significant System Interruptions

- In 2024, there are two storm hardening performance metrics that require the development and execution of a plan to automate switches that will minimize customer outages during a storm.
- There are three performance metrics in 2024 that target improved vegetation management, including improved cycle trim, utilizing an improved trimming technique of "circuit trim to sky" and preemptive hazardous tree identification and removal of hazard trees. PSEG Long Island partially met the 2023 performance target for hazard tree removal.
- Leveraging our public power status, since 2023 LIPA has been awarded $472 million in mitigation grants to harden the system, allowing us to significantly increase and accelerate our storm hardening investments at low cost to our customers. Highlights of some pending and approved applications include grants totaling $38.5 million to storm harden transmission road crossings, and two separate grants of $5 million each to mitigate poles in disadvantaged communities in Nassau/Queens and Suffolk counties.

✓ Enhance Estimated Time of Restoration (ETRs) Accuracy and Communications

- The ETR process is being enhanced to provide more accuracy, allowing for customers to better plan for the outage duration. In 2023, efforts conducted through the ETR metric led to the selection and operationalization of three factors as drivers of ETR differentiation: device type, seasonality/month, and hour/shift that had the objective of improving ETR accuracy and the related customer outage and ETR experience. Since the time of operationalization in Q4 2023, overall ETR accuracy performance has improved by over 10% for our customers.

Meeting the Board's Expectations for Reliability and Resiliency

✓ Independently Verify that Emergency Restoration Plans are Complete and Tested

- LIPA independently verified and validated PSEG Long Island's remediation of its outage management system implementation (see June 2023 report to the Board).
- Between December 2022 and May 2023, LIPA observed and made over 330 recommendations/comments to enhance PSEG Long Island's functional exercises related to emergency response in the event of a critical system failure. PSEG Long Island incorporated the recommendations/comments in Division scaled functional exercises in 2024 that were observed by LIPA and DPS.
- The 2022 Performance Metric IT-3 related to System Resiliency required PSEG Long Island to update and successfully exercise its disaster recovery and business continuity plans for all critical systems and processes. PSEG Long Island did not achieve this metric in 2022, and 2023. In 2024, the IT-3 metric is divided into IT-03 for business continuity and IT-10 for disaster recovery and LIPA hired an independent third-party consultant to conduct an overall assessment of the business continuity and disaster recovery program. The assessment report was provided to PSEG Long Island in the 3rd quarter of 2024 and provides recommendations and actions to be completed in 2024 and beyond.

Jones Beach Energy and Nature Center I Wantagh, New York

Risk Management

Enterprise Risk Management

There are two highly rated risks related to the T&D Operations Board Policy:

- A major event such as a severe storm damages infrastructure and results in widespread, long duration outages, equipment damages and safety issues
  - This is the most significant risk in the portfolio and is being mitigated through the execution of numerous reliability, vegetation management and storm hardening initiatives.
- Protection of critical assets such as substations and the control centers are compromised and could result in outages, equipment damages and safety issues
  - There is significant focus on safeguarding critical assets and managing this risk effectively, primarily through the creation of a multi-disciplinary working group that is focused on the execution of a multi-year integrated physical security plan.

Enterprise Risk Management

There are several risks related to asset management rated between medium and high that are related to the T&D Operations Board Policy. These three risks are being monitored and opportunities for enhanced mitigation actions are being discussed.

- These risks represent the increasing number of aging assets with minimal inventory, and a continuing lack of accurate, historical data. This results in decision-making that may not support lifecycle optimization and appropriate scheduling of aging substation equipment.
- There is also an increasing risk that climate change may impact T&D facilities and a lack of a substantive cathodic program for underground transmission cables and fluid tanks.
- These risks are being mitigated by reviewing the scope of existing substation transformer and switchgear replacement programs, expanding the spare equipment program to account for aging assets, drafting detailed asset management plans for all T&D equipment classes, and reviewing the critical spares program to address increasing supply chain constraints for long lead time equipment.

Questions?

Billy Raley

Senior Vice President
Transmission & Distribution

lipower.org

FOR CONSIDERATION
November 13, 2024

TO: The Board of Trustees

FROM: John Rhodes

REQUEST: Approval of the Annual Report on the Board's Policy on Transmission and Distribution Operations

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board's Policy on Transmission and Distribution ("T&D") Operations (the "Policy"); and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as **Exhibit "A."**

Background

By Resolution No. 1371, dated July 26, 2017, the Board originally adopted the Policy. The last annual review of the Policy was completed in June 2023, and the Board last amended the Policy in November 2021. The amendments to the Policy in November 2021 changed the name of the Policy from T&D System Reliability to T&D Operations.

The Policy now provides that: "LIPA's vision for our transmission and distribution system is to achieve industry-leading reliability, improve resiliency by minimizing outages and reducing restoration times after significant system disruptions, and leverage modern system design and technology to provide value to all customers. The Policy also provides for an annual reporting requirement that "[t]he Chief Executive Officer, or his or her designee, will report annually to the Board on the key provisions of this Policy."

Compliance with the Policy

LIPA Staff recommends that for the reasons set forth below, the Board find that LIPA has complied with the Policy since the last annual review. Compliance with each element of the Policy is discussed in detail below.

As set forth in the Policy, "[t]o achieve our vision for reliability, LIPA will":

"provide top decile reliability (i.e., top 10% of peer utilities) as measured by system average outage duration, excluding major events."

- LIPA has taken steps to improve reliability (as further discussed below) with the objective of maintaining the Board's policy objective of top 10% reliability among peer utilities as measured by system average outage duration (i.e., the average outage minutes per customer

per year, excluding major weather events).

- PSEG Long Island's 2023 performance for system average outage duration per customer was 56.3 minutes. Top decile was 57.2 minutes therefore, performance was within the top decile versus peer utilities.
- The 2024 PSEG Long Island performance metrics, which were the product of input from LIPA, PSEG Long Island, and the New York State Department of Public Service, set a system average outage duration target of 56.5 minutes (T&D-07), which is slightly more stringent than the top decile benchmark. The 2024 year-to-date performance is tracking approximately 2 minutes behind the 2023 year-end result due primarily to elevated storm activity over the first half of the year and is at risk to meet the year-end performance target.

"improve circuit conditions that cause a customer to experience four or more sustained outages or six or more momentary outages in any 12-month period."

- The 2024 performance metrics include metrics for sustained multiple customer outages ("MCO") (T&D-10) and multiple momentary customer outages (T&D-12). The metric for sustained MCOs was refined for 2024 to address four discrete levels of customer outages ranging from six to twelve or more outages, as measured over a rolling 12-month period. In 2023, PSEG Long Island successfully met the momentary MCO metric, but failed to meet the sustained MCO metric. In 2024, the sustained MCO metric is partially being met, however, the momentary MCO metric is behind target. While both metrics are at risk, they can still be successfully achieved by year-end.
- LIPA will continue to focus on improving MCO customer experience for those smaller groups of customers that have experienced outlier performance that is far worse than the overall system average. This will be addressed by focusing on improving performance for those customers that have experienced more than five sustained outages in a year. Similarly, LIPA will continue to focus on improving performance for those customers that have experienced six or more momentary outages in a year.
- Annual reliability programs are designed to improve circuit performance, including the Circuit Improvement Program ("CIP"), the Multiple Customer Outage Program ("MCO"), and the Multiple Device Operation Program ("MDO").

"utilize modern system design and technology to anticipate and minimize outages, monitor system conditions, provide for preventative and predictive system maintenance, and facilitate the efficient and timely interconnection of renewable and distributed resources."

- LIPA has required the development of a roadmap for an Enterprise Asset Management System ("EAMS"), including compliance with ISO 55001 asset management standards, to anticipate and minimize outages and provide the analytic tools and processes for modern preventative and predictive maintenance. This effort includes a complete inventory of Transmission and Distribution assets beginning in June 2022 that continues at present. These initiatives, which include asset inventory, governance, and system implementation, were incorporated into the 2022 and 2023, 2024 performance metrics as part of a multi-year implementation.

"safeguard people and protect facilities and functions that support operations from unauthorized

access or disruption through vulnerability assessments and risk mitigation."

- LIPA engaged an independent third-party consultant to perform a security evaluation of its physical assets, with the objective of identifying vulnerabilities, determining risk, and developing findings and recommendations. That assessment was completed in November 2022. The findings from the assessment were developed into actionable deliverables under a Project Implementation Plan contained in a 2023 physical security performance metric (T&D-45). Those deliverables were successfully completed by the end of 2023.
- In late 2023, a multi-disciplinary working group consisting of LIPA and PSEG Long Island senior leadership and staff was created. The primary objective is to develop and execute on a multi-year integrated plan to enhance physical security measures at our facilities, prioritizing those facilities that are most critical to operations.

The Policy further provides that "[t]o achieve our vision for resiliency, LIPA will:"

"mitigate the effects of climate change through multi-year programs that reduce the number and duration of outages after significant system disruptions."

- The 2024 performance metrics include two metrics (T&D-30 and T&D-31) related to storm hardening. The storm hardening metrics require the development and execution of a plan to automate switches that will minimize customer outages during a storm. There are two performance metrics (T&D-24 and T&D-26) that target improved vegetation management, including improved cycle trim, utilizing an improved trimming technique of "circuit trim to sky" and preemptive hazardous tree identification and removal of hazard trees. PSEG Long Island partially met the 2023 performance target for hazard tree removal.
- LIPA was awarded a storm hardening/mitigation grant in the 2nd quarter of 2023 for $3.5 million to harden transmission road crossings. The New York State Division of Homeland Security and Emergency Services recommended that LIPA modify that application and in 2024, LIPA submitted its revision seeking an additional $35 million. That application is in final review and LIPA expects approval prior to year-end 2024. A second application was awarded in 2023 for $5 million to mitigate poles in disadvantaged communities in Nassau/Queens. In 2024, LIPA was awarded a separate award for $5 million to mitigate poles in disadvantaged communities in Suffolk County and was also awarded $430 million to harden 166 overhead circuits. Since late 2023, LIPA was awarded mitigation grants totaling $472 to harden our system. These grants will allow LIPA to accelerate several hundred million dollars of storm hardening investment at low cost to customers and is a benefit of LIPA's public power status. In 2024, LIPA submitted three grant applications under the United States Department of Energy's Grid Resilience and Innovation Partnerships Program (GRIP). However, LIPA was recently notified that it was not selected for an award. LIPA will continue to pursue these competitive grant opportunities as they are made available.

"assure timely and accurate communication to customers about outages and restoration times."

- LIPA is enhancing the Estimated Time of Restoration ("ETR") process to provide more accuracy, allowing for customers to better plan for the outage duration. In 2023, efforts

conducted through the ETR metric (T&D-42) led to the selection and operationalization of three factors (device type, seasonality/month, and hour/shift) that had the objective of improving ETR accuracy and the related customer outage experience. Since the time of operationalization in the fourth quarter of 2023, overall ETR accuracy performance has improved by over 10% for our customers.

"independently verify that emergency restoration plans are complete and tested."

- LIPA independently verified and validated PSEG Long Island's remediation of its outage management system implementation (see June 2023 report to the Board).
- Between December 2022 and May 2023, LIPA observed and made over 330 recommendations/comments to enhance PSEG Long Island's functional exercises related to emergency response in the event of a critical system failure. PSEG Long Island incorporated the recommendations/comments in Division scaled functional exercises in 2024 that were observed by LIPA and DPS. The 2022 Performance Metric IT-3 related to System Resiliency required PSEG Long Island to update and successfully exercise its disaster recovery and business continuity plans for all critical systems and processes. PSEG Long Island did <u>not</u> achieve this metric in 2022, and 2023. In 2024, the IT-3 Metric is divided into IT-03 for business continuity and IT-10 for disaster recovery and LIPA hired an external third-party consultant to conduct an overall assessment of the business continuity and disaster recovery program. The assessment report was provided to PSEG Long Island in the 3rd quarter of 2024 and provides recommendations and actions to be completed in 2024 and beyond.

<u>Enterprise Risk Management Discussion</u>

The Board has adopted a policy on Enterprise Risk Management ("ERM"). Enterprise risks are brought to the Board's attention throughout the year. There are three risks related to this Policy:

- a major event such as a severe storm damages the infrastructure and results in widespread, long duration outages, and negative public perception;
- protection of critical assets such as substations and the control centers are compromised and could result in outages, equipment damages and safety issues; and
- asset management risks including the increasing number of aging assets with minimal inventory, and a lack of accurate, historical data. This results in decision making that may not support lifecycle optimization and appropriate scheduling of aging substation equipment. There is also an increasing risk that climate change may impact T&D facilities and a lack of a substantive cathodic program for underground transmission cables and fluid tanks.

The major event risk is the highest rated risk in the PSEG Long Island portfolio. To mitigate this risk, LIPA and PSEG Long Island have implemented numerous reliability, vegetation management, and storm hardening initiatives, as further described above. LIPA has concerns about PSEG Long Island's failure to previously meet certain metrics including vegetation management. This remains a risk that is not mitigated to the standards set in the performance metrics.

The protection of critical assets risk is also a highly rated risk. To mitigate this risk, there are

several substation security upgrade projects which are funded and underway. As mentioned above, a multi-disciplinary working group was created to develop and execute on a multi-year integrated plan to enhance physical security measures at our facilities, prioritizing facilities that are most critical to operations. While there are not any 2024 metrics for physical security, there is significant focus on safeguarding critical assets and managing this risk effectively.

The asset management risks are rated between medium and high. These risks are being mitigated through reviewing the scope of the existing substation transformer and switchgear replacement programs, expanding the spare equipment program to account for aging assets, drafting detailed asset management plans for all T&D equipment classes, and reviewing the critical spares program to address increasing supply chain constraints for long lead time equipment. There is one metric related to this risk, T&D-01 Asset Management Program Implementation. While progress is being made, there is concern this metric may not be achieved and is being monitored closely.

Annual Review of the Policy

The Policy was last updated in November 2021, to reflect the Board's strategic direction in this area. LIPA Staff has reviewed the Policy and proposes no changes at this time.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution

Exhibit "A"

RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON TRANSMISSION & DISTRIBUTION OPERATIONS

WHEREAS, the Board Policy on Transmission and Distribution ("T&D") System Reliability was originally approved by the Board of Trustees by Resolution No. 1371, dated July 26, 2017; and

WHEREAS, the last annual review of the Policy was completed in June 2023; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the LIPA has complied with the T&D Operations Policy for the period since the last annual review and approves the annual report to the Board.

Dated: November 13, 2024

Annual Report on Customer Value, Affordability, and Rate Design

Presented by: Donna Mongiardo and William Wai

September 25, 2024

Discussion Topics

- Customer Value
- Affordability
- Rate Design

Policy Priorities of the LIPA Board

- The **Board Policy on Customer Value, Affordability, and Rate Design** is to maintain competitive electric rates compared to other regional utilities while transitioning to a zero-carbon electric grid, achieving industry-leading reliability, resiliency, and customer experience, and meeting the energy needs of low-income customers.
- The **Policy for Rate Design** is to provide customers with fair electric rates that are as simple as possible and that include opportunities for customers to save money.

Customer Value

- Prioritize investments
- Communicate the benefits and cost drivers of any rate increases to customers
- Maximize the value to customers of our not-for-profit public power business model

Affordability

- Maintain competitive electric rates
- Aggressively manage costs
- Offer programs to low-income and disadvantaged customers

Rate Design

- Simple and easy to understand
- Opportunities to save money
- Equitably allocate costs across and within customer classes
- Encourage conservation, the efficient use of energy resources, and the transition to a carbon-free economy
- Employ innovative electric rate design

Jones Beach Energy and Nature Center I Wantagh, New York

Customer Value

Meeting the Board's Expectations for Customer Value

- ✓ **Prioritize investments to balance cost and service quality, as demonstrated in Strategic Roadmaps and Budgets**
  - Identified key initiatives in the Strategic Plan (link) approved by the Board in March 2023 to advance the Board's policy objectives for clean, reliable, affordable, customer-first energy over the next five years.
  - Identified key initiatives to achieve the Board's objectives in 2024 Work Plans (link), Performance Metrics (link), and Budgets (link).
- ✓ **Communicate the benefits and cost drivers of any rate increases**
  - The 2024 Budget (link) includes a plain English description of initiatives and cost drivers.
  - Published Fact Sheets in plain English about key initiatives (for example, link).
- ✓ **Maximize the value to customers of our not-for-profit public power business model…to reduce costs for customers**
  - Since 2011, was awarded $2.4B in Federal grants (including $426M mitigation awarded in early 2024).
  - Applied for $123M of Department of Energy grants in 2023 (award announcements in late 2024).
  - Saved customers $500+ million in lower financing cost (see next page) compared to New York's investor-owned utilities due to public ownership (access to tax-exempt bonds, exemption from dividends to shareholders, and corporate income taxes).

LIPA

Lower Cost of Capital for Public Power

LIPA's cost of capital is **$503M less** than what an investor-owned utility (IOU) would be allowed to charge for the same level of investment.

Return on Equity:	11.91% (IOU) minus 3.64% (LIPA)	LIPA saves **$248M**
Income Taxes @26.1%:	3.11% (IOU) minus 0.00 (LIPA)	LIPA saves **$149M**
Cost of Debt:	5.75% (IOU) minus 3.64% (LIPA)	LIPA saves **$106M**
Total Cost of Capital:	$866M (IOU) minus $363M (LIPA)	LIPA saves **$503M**

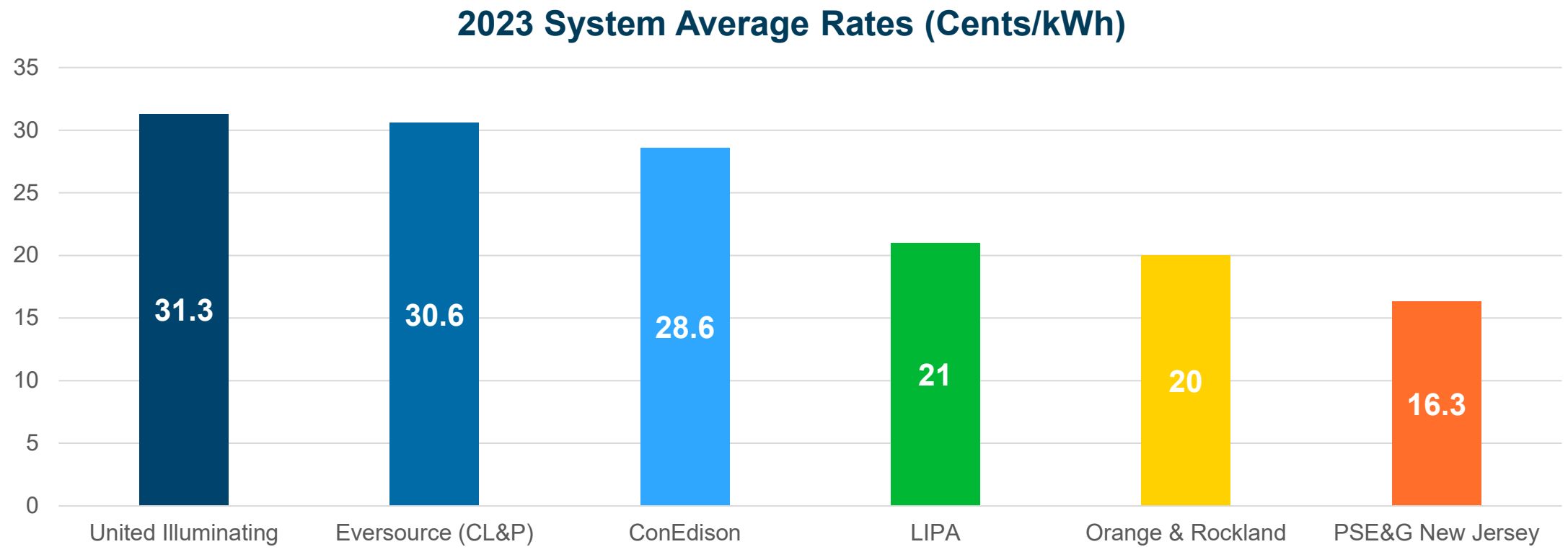
Estimates are based on the NY PSC-approved capital structure and approved rate of return for a regional IOU.

Jones Beach Energy and Nature Center I Wantagh, New York

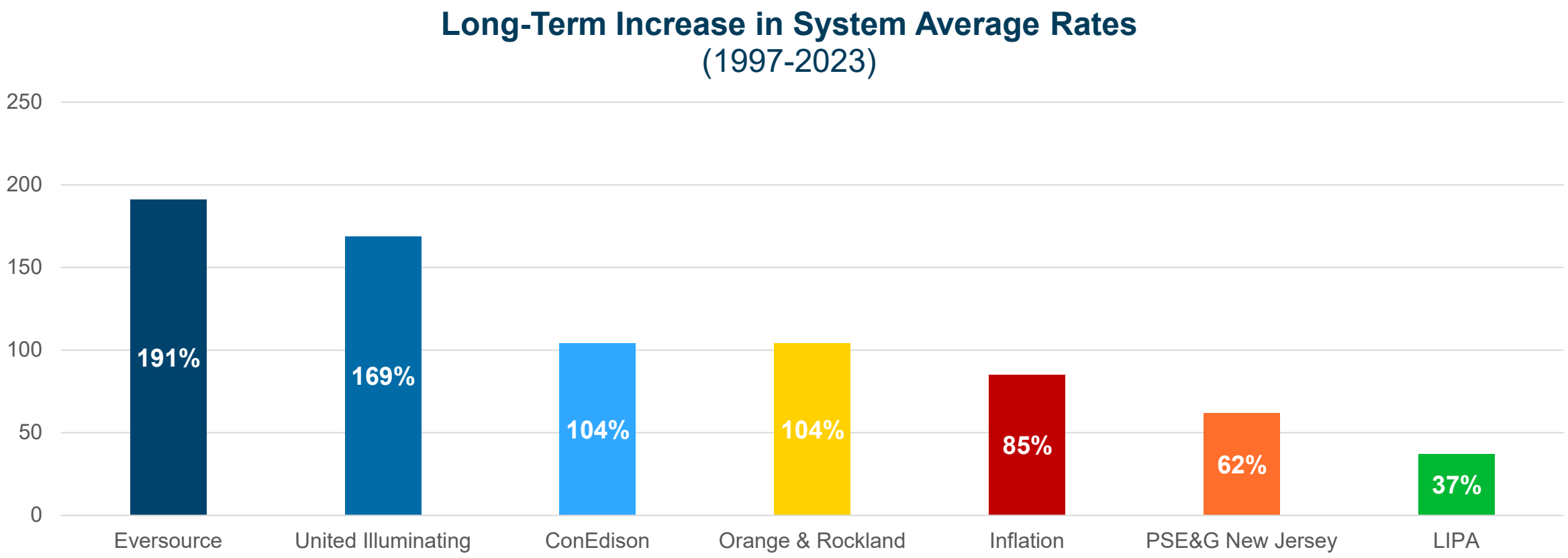
Affordability

Regionally Comparable Rates

Board Policy: Maintain **competitive electric rates**, as compared to the system average rates of those regional electric utilities that most closely resemble the costs, electric supply, and policy goals of our service territory.



LIPA's rates **increased slower** than inflation



Actions to Manage 2024 Rates

Board Policy: Aggressively manage costs, avoiding expenditures that do not advance our purpose.

Operating Lean	$ Millions
LIPA Reform Act 2% Tax Cap	$416
Discontinued investments in combined cycle plants	$355
Refinancing existing debt & debt service savings	$142
LIPA Reductions to PSEG Long Island O&M Budget Request	$75
Power plant property tax savings	$66
Renegotiating expiring power purchase agreements	$64
Reduction to wholesale market and off-island transmission costs	$57
Smart Meter savings	$23
Investing in cost-effective energy efficiency	$23
Operating savings, cost avoidance, and productivity	$17
Power supply pension and retirement savings	$8
Commodity hedging (based on current prices)	$5
Total	**$1,251 Million**

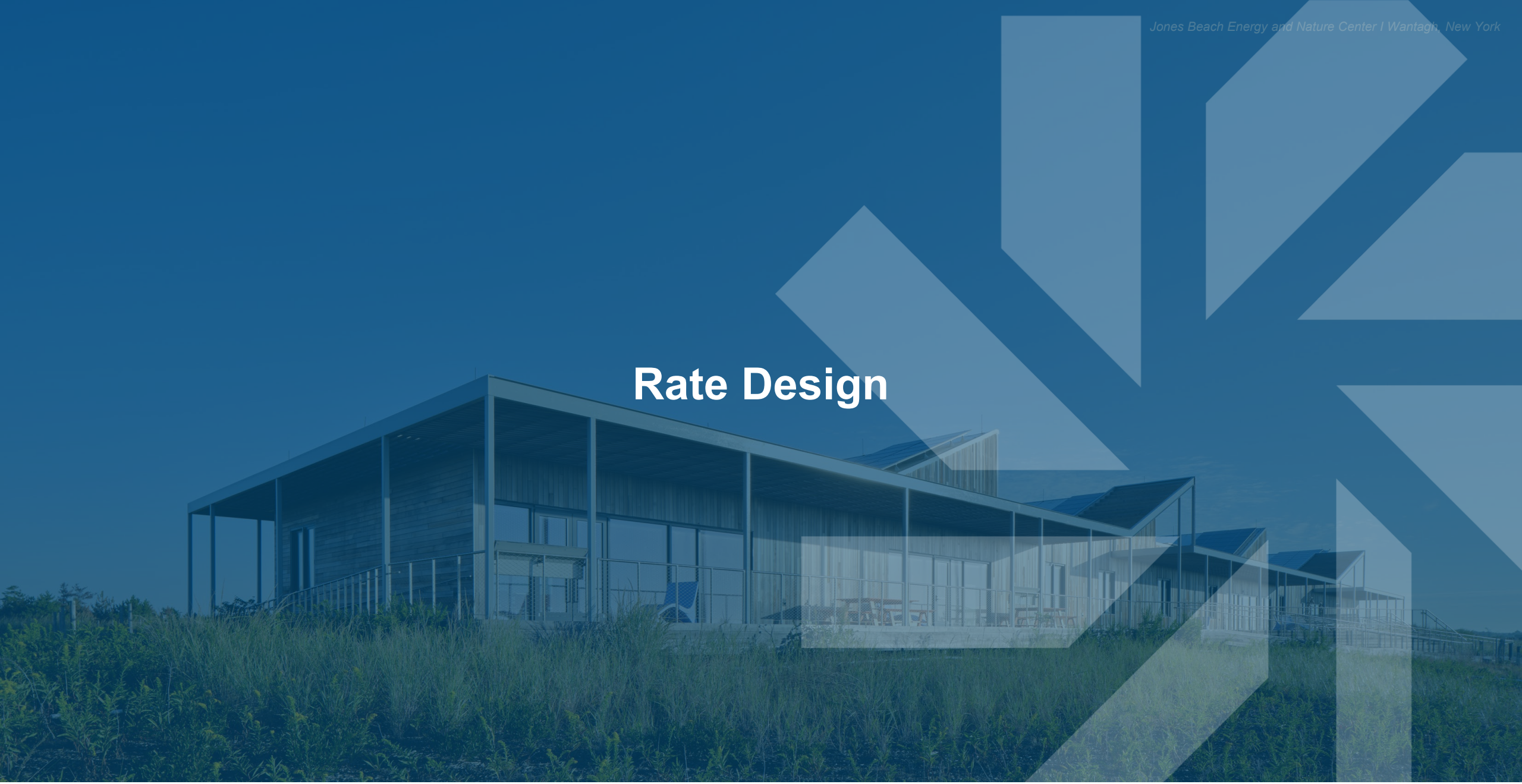
Actions to **Manage Future Rates** in the Strategic Plan

- Establish a business process optimization practice.
- Maximize grants and low-cost funding sources.
- Minimize costs through securitization of debt and tax-exempt financing.
- Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources.
- Reduce LIPA's reliance on debt funding (financial deleveraging) to achieve upgrades in LIPA's credit ratings that will lower the cost of future borrowing.

Assistance to Low-Income & Disadvantaged Customers

Board Policy: Offer programs to low-income and disadvantaged customers to maintain electric bills that are a reasonable percentage of household income.

- Provided an additional 9% in monthly bill discounts for low-income customers in 2024.
- Provided arrears forgiveness relief to low-income customers consistent with the Statewide Energy Affordability Program
  - Between 2022 and 2023, LIPA's Forgiveness Program provided its low-income customers approximately $10 million of bill credits from state funds, and an additional $56.2 million of bill credits funded by LIPA.
- Expanded the eligibility qualifications for the low-income rate discount program and extended the validity of program enrollment from 12 to 14 months.
- Automated the enrollment of customers in the low-income rate discount program who have received a HEAP and/or SNAP award from Social Services.
- Continues its participation in DPS's Energy Affordability Policy Working Group.
- Started bill credits for low-income customers who participate in the Solar Communities program.
- Compared with 2022, LIPA tripled its heat pump rebated for low-income customers to $15.4 million in 2023, resulting a fivefold increase in the number of installations.



Jones Beach Energy and Nature Center I Wantagh, New York

Rate Design

Creating Options that Reduce Bills and Manage Costs

Board Policy: Design electric rates that: are as simple and easy to understand as possible; provide customers with opportunities to save money; equitably allocate costs across and within customer classes; encourage conservation, the efficient use of energy resources, and the transition to a carbon-free economy; and employ innovative electric rate design based on industry trends and research, stakeholder feedback in statewide proceedings and LIPA-run collaboratives, and comments from the public.

- Developed and implemented modern Time-of-Day (TOD) rates for residential customers offering customers more opportunities to manage their bills and encouraging customers to reduce energy use during high-cost, high-carbon hours
  - Experimental Voluntary Time-of-Use (VTOU) rates were piloted as a precursor to the larger Time-of-Day rate program with 14,515 customers participating in 2023.
  - TOD rates became the standard rate offering for new residential services on January 1, 2024. Existing customers are being transitioned to the TOD rate through 2024 and 2025.
  - The TOD rate bill protection feature offers most residential customers a risk-free opportunity to try out the TOD rates.
- Implemented a modern 4-hour-peak voluntary time of use (VTOU) rate for medium commercial customers that offers more opportunities to save and helps reduce the peak load of the utility.
- Lowered the daily charge to the large commercial customers and shifted bill impacts to the demand charge to encourage more efficient use of the electric system.
- Brought the Community Choice Aggregation (CCA) Program up to statewide standards.
- Modified Dynamic Load Management (DLM) program to encourage participation.

Questions?

Donna Mongiardo
Chief Financial Officer
William Wai
Director of Rates

lipower.org

FOR CONSIDERATION
September 25, 2024

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Consideration of Approval of the Annual Report on the Board Policy on Customer Value, Affordability, and Rate Design

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Requested Action

The Board of Trustees (the Board) of the Long Island Power Authority ("LIPA") is requested to adopt a resolution approving the annual report on the Board Policy on Customer Value, Affordability, and Rate Design (the "Policy") for the period since the last annual review and finding that LIPA has complied with the Policy, which resolution is attached hereto as **Exhibit "A"**.

Background

By Resolution No. 1318, dated September 21, 2016, the Board adopted the Policy. The purpose of the Policy is to set reasonable objectives for LIPA's electric rates and rate design and to review LIPA's electric rates relative to other similar regional utilities each year. The Board conducts an annual review of the Policy and considers as part of its review whether LIPA has remained in compliance with the Policy and whether any updates or revisions should be made to the Policy. The Policy was last reviewed and amended by the Board in May 2023.

Compliance with the Policy

LIPA Staff has determined, for the reasons set forth below, that LIPA has remained in compliance with the objectives of the Policy for the period since the last annual review. The Policy provides that: "LIPA's vision for customer value and affordability is to maintain competitive electric rates compared to other regional utilities while transitioning to a zero-carbon electric grid, achieving industry-leading reliability, resiliency, and customer experience, and meeting the energy needs of low-income customers. Our vision for rate design is to provide customers with fair electric rates that are as simple as possible and that include opportunities for customers to save money."

"To achieve our vision for customer value, LIPA will":

- "Prioritize investments for our customers to balance cost and service quality, as demonstrated in the Strategic Roadmaps and Budgets reviewed and approved by the Board."
  - The Strategic Plan (link) approved by the Board in March 2023 identified key initiatives that will advance the Board's policy objectives for clean, reliable, affordable, customer-first energy over the next five years.
  - The 2024 Work Plan (link) and Performance Metrics (link) identified actions and

level of performance needed to achieve the Board's objectives.

- The 2024 Budget (link) identified $1,251 million in projected savings from actions taken to operate lean, balance cost, and service to achieve the most out of every dollar.

Operating Lean	$ Millions
LIPA Reform Act 2% Tax Cap	$416
Discontinued investments in combined cycle plants	$355
Refinancing existing debt & debt service savings	$142
LIPA Reductions to PSEG Long Island 2024 O&M Budget Request	$75
Power plant property tax savings	$66
Renegotiating expiring power purchase agreements	$64
Reduction to wholesale market and off-island transmission costs	$57
Smart Meter savings	$23
Investing in cost-effective energy efficiency	$23
Operating savings, cost avoidance & productivity	$17
Power supply pension and retirement savings	$8
Commodity Hedging (based on current prices)	$5
TOTAL	**$1,251 MILLION**

- "Communicate the benefits and cost drivers of any rate increases to customers."
  - The 2024 Budget (link) includes description of initiatives and cost drivers that provide maximum readability and understanding by the public. The budget proposal was summarized at LIPA's public Board Meeting in November 2023, covered by the local media and was available for discussion at public comment hearings in both Nassau and Suffolk counties as required by the LIPA Act. Fact sheets were also provided on the LIPA website that communicated rate opportunities related to:
    - Residential Time of Day Rates.
    - COVID-19 Bill Credit (arrears forgiveness) Program.
    - Customer Benefit Contribution Charge.
    - Long Island Choice and Community Choice Aggregation.
  - Fact Sheets were also provided on topics of general interest including efforts to achieve LIPA's goals for clean energy and manage costs.
  - All LIPA Fact Sheets can be found on the LIPA website at this link.

- "Maximize the value to customers of our not-for-profit public power business model by using our tax-exempt cost of capital and eligibility for federal and state grants to reduce costs for customers."
  - Since 2011, LIPA has been awarded approximately $2.4 billion in Federal grants that reduced the financial impact of storms on customers and funded extensive capital improvements that increased the resiliency of LIPA's electric grid. In addition, LIPA is waiting for the selection of its recent Department of Energy grants of approximately $123 million and approval of its $58 million

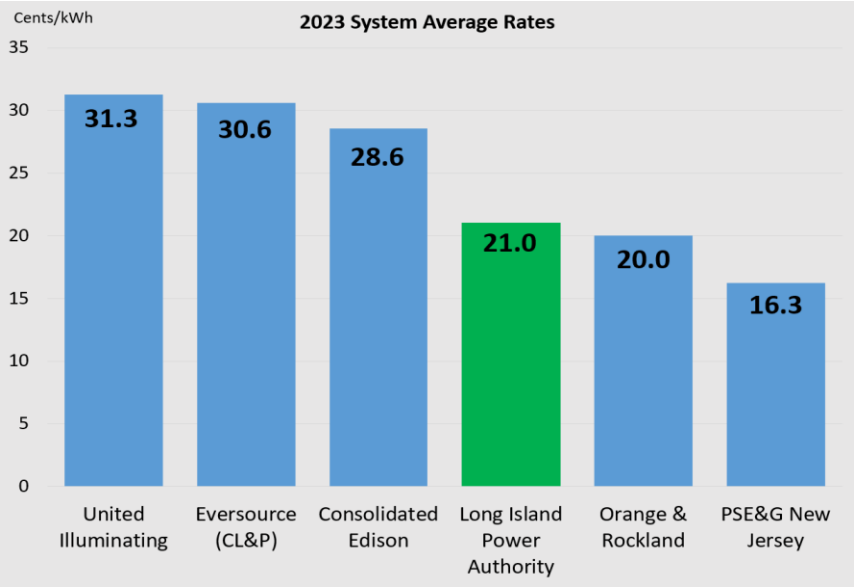
FEMA grant.

- Customers continue to benefit from LIPA's status as a public power authority with access to tax-exempt debt, exemption from Federal and State income taxes, and no requirement to earn profits or pay dividends to any shareholders. LIPA estimates that ongoing annual benefits are over $500 million a year compared to investor-owned utilities regulated by the New York Public Service Commission (as shown in table below).

Rate Base Summary 2024 Approved Budget	IOU Capital Structure	Rate Base	PSC Allowed Rate	IOU Cost	LIPA Interest Expense	LIPA Annual Savings
Shareholder Equity	48.0%	$4,795 M	8.80%	$422 M	$174 M	**$248 M**
Income Taxes at 26.1%			3.11%	$149 M	$0 M	**$149 M**
Shareholder Profit (pre-tax)	48.0%	$4,795 M	**11.91%**	$571 M	$174 M	**$397 M**
Long Term Debt	50.9%	$5,085 M	5.75%	$292 M	$186 M	**$106 M**
Customer Deposits	1.1%	$109 M	2.45%	$3 M	$3 M	**$0 M**
Total Interest Expense	52.0%	$5,194 M	**5.68%**	$295 M	$189 M	**$106 M**
Total Cost of Capital	100.0%	**$9,989 M**	**8.67%**	**$866 M**	**$363 M**	**$503 M**

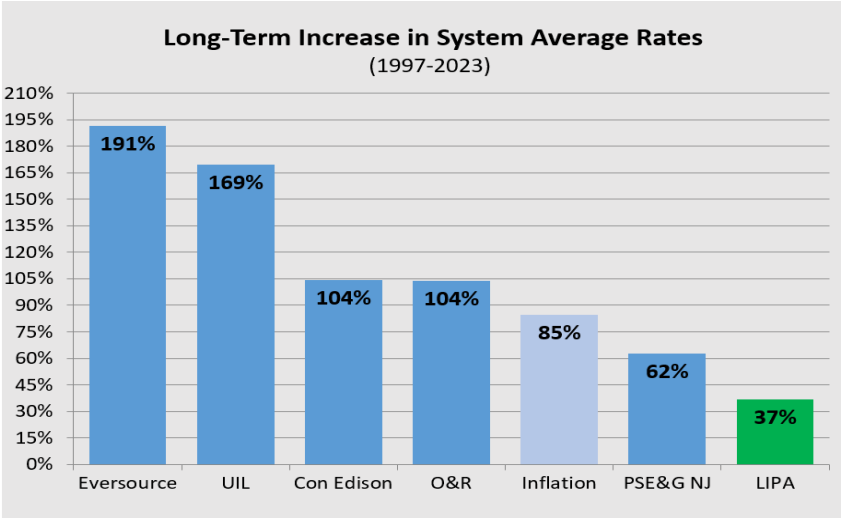
To achieve our vision for affordability, LIPA will:

- "Maintain competitive electric rates, as compared to the system average rates of those regional electric utilities that most closely resemble the costs, electric supply, and policy goals of our service territory."
  - In December 2023, the Board of Trustees adopted LIPA's 2024 Budget, implementing an annual budget and rate update at the lowest level consistent with sound fiscal and operating practices, and within the statutory threshold provided in the Public Authorities Law.
  - The Board's policy recognizes significant regional differences by benchmarking LIPA against five utilities surrounding its service territory rather than utilities in other regions. LIPA's system's average electric rate was 21.0 cents in 2023 which is 32.9% below the highest-priced regional utility. The system's average electric rates of the regional utilities range from 16.3 to 31.3 cents per kWh as shown in the following figure:



**Regional differences: The New York City metro area has above-average labor, land, tax, and commodity costs and highly seasonal weather (i.e., electricity is used for cooling in the summer while other fuels are used for heating in the winter) causing the per kilowatt-hour electric rates to be above the national average which was 12.7 cents per kilowatt-hour in 2023 according to the U.S. Energy Information Agency. State-by-state averages include (i) Connecticut; 23.9 cents (ii) Massachusetts; 22.9 cents (iii) New York; 18.4 cents; Vermont; 17.6 cents (iv) New Jersey; 15.4 cents and, (v) Pennsylvania; 12.5 cents. Within New York, there is a significant difference in prevailing power prices as the upstate grid is primarily fueled by lower-cost hydro and nuclear power while downstate is primarily more costly fossil-fuel fired generation. The Board's policy recognizes these significant regional differences by benchmarking five utilities that surround the LIPA service territory rather than utilities in other regions.*

- If LIPA's payments in lieu of taxes (PILOTS) comprise 16% of its bills and are considerably higher than the national average of 6% of the bill. A lower PILOTS of 6% would have reduced LIPA's 2023 system average rate to 19.2 cents rather than 21 cents.
- LIPA's system average rates have been competitive on a long-term basis, having risen slower than most other regional utilities during LIPA's stewardship of the Long Island grid (see chart below). LIPA's rates increased 37% since LIPA took over the Long Island grid, compared to a range of 104% to 191% for the other utilities, as shown in the following figure. The consumer price index, a standard measure of inflation, increased 85% during this period.



- "Offer programs to low-income and disadvantaged customers to maintain electric bills that are a reasonable percentage of household income."
  - In its 2024 budget, LIPA provided an additional 9% in monthly bill discounts for low-income customers.
  - LIPA provided arrears forgiveness relief to low-income customers consistent with the Statewide Energy Affordability Program ("EAP").
    - Between 2022 and 2023, LIPA's Forgiveness Program provided its low-income customers approximately $10 million of bill credits from State funds, and an additional $56.2 million of bill credits funded by LIPA.
  - LIPA expanded the eligibility qualifications for its low-income discount program and extended the validity of program enrollment from 12 to 14 months.
  - LIPA automated the enrollment of customers in the low-income rate discount program who have received a HEAP and/or SNAP award from Social Services.
  - LIPA continues its participation in DPS's Energy Affordability Policy Working Group.
  - In early 2024, LIPA started bill credits to low- and moderate-income customers who participate in the Solar Communities program.
  - Compared with 2022, LIPA tripled its heat pump rebates for low-income customers to $15.4 million in 2023, resulting in a fivefold increase in the number of installations.

To achieve our vision for rate design, LIPA will:

- "Design electric rates that: are as simple and easy to understand as possible; provide customers with opportunities to save money; equitably allocate costs across and within customer classes; and encourage conservation, the efficient use of energy resources, and the transition to a carbon-free economy."

- "Employ innovative electric rate design based on industry trends and research, stakeholder feedback in statewide proceedings, LIPA-run collaboratives, and

comments from the public."

- LIPA developed and implemented modern Time of Day ("TOD") rates for residential customers that offer customers more opportunities to manage their bills and encourage customers to reduce their use of energy during high cost, high carbon hours.
    - As a precursor to the larger modern TOD, LIPA provided a voluntary pilot program beginning in 2022, called the Experimental Voluntary Time of Use ("VTOU") Rates. Approximately 14,515 customers on average participated.
    - Since January 1, 2024, modern TOD rates have become the standard rate for residential service. Any new residential customers are automatically enrolled in TOD and must "opt-out" if want the flat rate.
    - Existing LIPA residential customers are being transitioned to the TOD rate through 2024 and 2025.
    - The TOD rate bill protection feature offers residential customers a risk-free opportunity by providing most customers with a one-year guarantee that if bills are higher than what would have been under their prior rates, the difference will be refunded.
- LIPA implemented modern VTOU rates for medium-sized commercial customers (with peak demand between 7 kW and 145 kW) that offer a 4-hour peak period (3pm – 7pm) on weekdays excluding holidays that gives larger customers more opportunities to manage their electric bills, saving them money and helping to reduce LIPA's peak load.
- LIPA lowered the daily charge to the largest commercial customers and increased demand charges, to provide stronger pricing signal regarding the cost of peak load.
- LIPA improved the Community Choice Aggregation ("CCA") program, bringing it up to Statewide standards consistent with the investor-owned utilities ("IOUs").
- LIPA modified its Dynamic Load Management ("DLM") program to encourage participation among residential customers with behind-the-meter battery storage system, enabling them to earn savings for lowering overall system costs.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and proposes no changes at this time.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management ("ERM"). Enterprise risks are brought to the Board's attention throughout the year. LIPA's ERM program has identified two such risks related to the adequacy of rates and their related rate designs (tariffs). The risks are:

- *Insufficient rates/untimely rate relief may lead to inadequate system investments which compromises LIPA's ability to achieve strategic priorities;*
- *Existing rate design may not reflect changing customer usage pattern/ expectations or provide pricing signals (i.e., TOD, location, and demand) resulting in customer cross subsidies or economic inefficiencies (i.e., less optimal use of the grid). The utility could fail*

to achieve customer acceptance of new rate design.

These risks are both rated as medium-level risks. LIPA mitigates the risk of insufficient rates through an extensive analysis of its cost structure each year and through the identification of new specific performance metrics in the Reformed Operating Service Agreement to monitor electric system performance relative to budgets on an ongoing basis. LIPA utilizes a decoupling mechanism, which helps to stabilize revenues with changing weather and economic patterns, and a delivery service adjustment to recover or refund to customers variances in unpredictable costs, such as storm costs. LIPA also maintains a Power Supply Hedging Program designed to reduce portions of fuel and purchased power price volatility.

Regarding the risk related to rate design, LIPA recently developed a TOD program and implemented it for a portion of its residential customers in 2024. The remaining residential customers are expected to migrate to the TOD rates in 2025. The program allows for customers to opt-out and provides most participants with a one-year guarantee that bills will not increase compared to their prior rate; with the difference refunded. Implementation of the TOD rate structure poses risks such as project execution and implementation, and the potential for negative customer reaction. To help mitigate these issues, extensive system testing is being conducted to timely resolve any vulnerabilities, and extensive customer outreach has been facilitated to educate and respond to concerns.

Based on the mitigation actions in place, staff believe both risks are being adequately managed.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution

Exhibit "A"

RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER VALUE, AFFORDABILITY, AND RATE DESIGN

WHEREAS, the Customer Value, Affordability, and Rate Design Policy (the Policy) was originally approved by the Board in September 2016; and

WHEREAS, the Policy was last reviewed and amended by the Board in May 2023; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: September 25, 2024

Annual Report on Fiscal Sustainability

Presented by: Donna Mongiardo, *Chief Financial Officer*

January 28, 2026

Discussion Topics

- Policy Priorities of the LIPA Board of Trustees
- Decrease LIPA Leverage and Cost of Capital
- Reporting

Policy Priorities of the LIPA Board

LIPA's vision for fiscal sustainability is to meet the Board's policy goals to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA's assets and result in the lowest long-term cost to customers.

To achieve our vision for fiscal sustainability, LIPA will:

Decrease LIPA's leverage and cost of capital:

- Achieving AA- category credit rating by reducing debt to asset ratio to 70% by 2030
- Maximize grants and low-cost funding sources
- Pre-fund long-term liabilities
- Maintain fixed obligation ratios of 1.40x on LIPA obligations
- Minimizing LIPA's need for coverage while maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories

Maintain cash and available credit sufficient to fund business operations in emergencies:

- $100 million in the Operating Fund
- $150 million in the Rate Stabilization Fund
- 150 days of operating expenses

Reporting:

- Develop budgets and financial plans that maximize customer value and aggressively manage costs.
- Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources
- Provide LIPA's customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA's financial performance and plans

Fiscal Sustainability – Reducing LIPA's Debt-to-Assets ratio

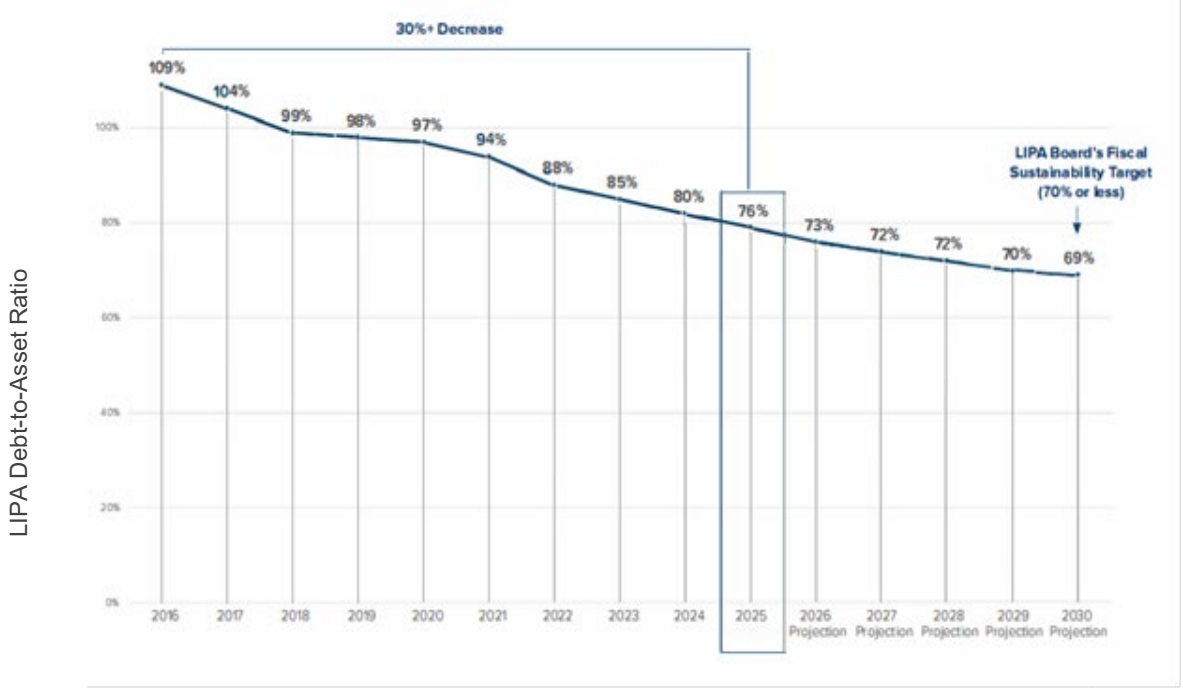
LIPA's rating upgrades demonstrate LIPA's improving leverage ratio and LIPA's budgets ensure the gradual consistent trend continues

Rating Agency	2013 Ratings (Outlook)	2025 Ratings (Outlook)
Standard and Poor's	A- (Negative)	A (Stable)
Fitch Ratings	A- (Negative)	A+ (Stable)
Moody's Investor Service	Baa1 (Negative)	A2 (Stable)

- LIPA's credit rating upgrades are the result of LIPA's enhanced financial performance and steady achievement of its strategic objectives set by the Board of Trustees.

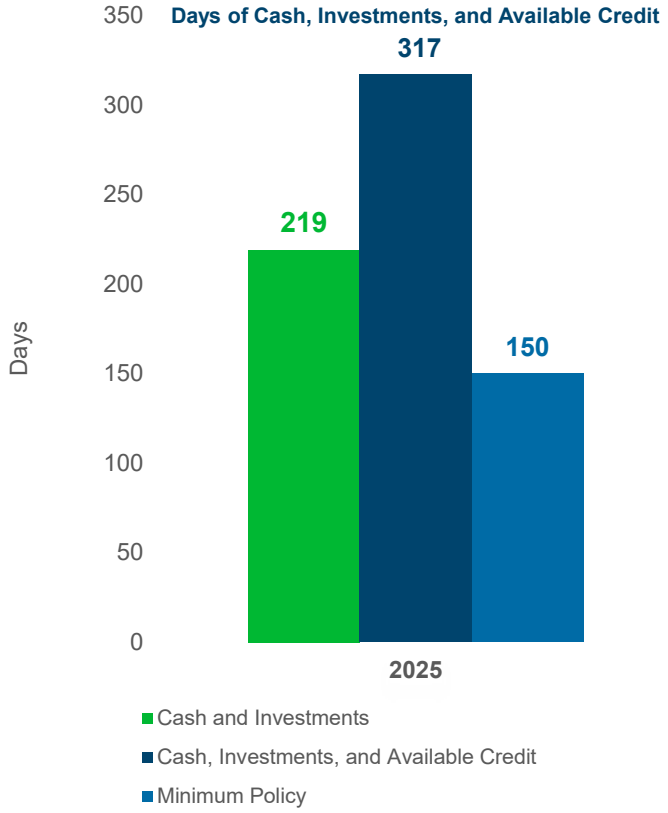
LIPA's Deleveraging Successful Path

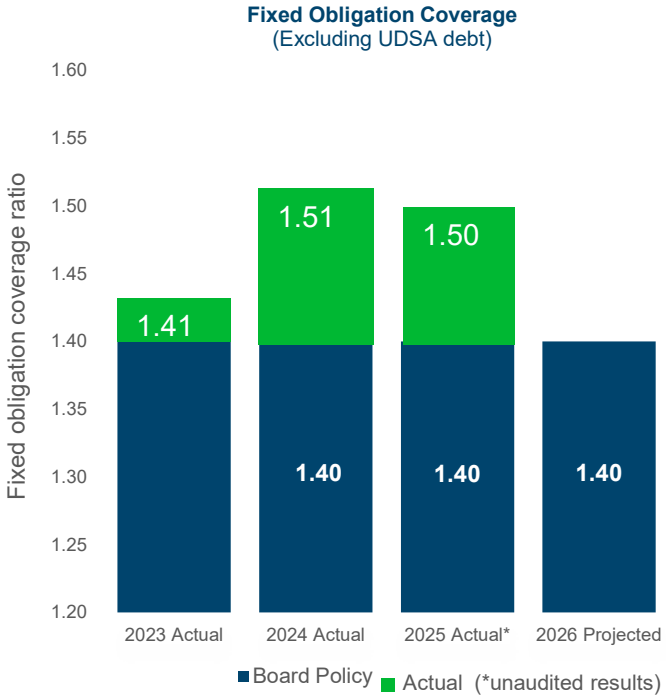
- LIPA's leverage ratio has decreased over 30% since 2016 and is expected to further decline in future years – an improvement that is supported by strategic budgeting and higher fixed-obligation coverage.

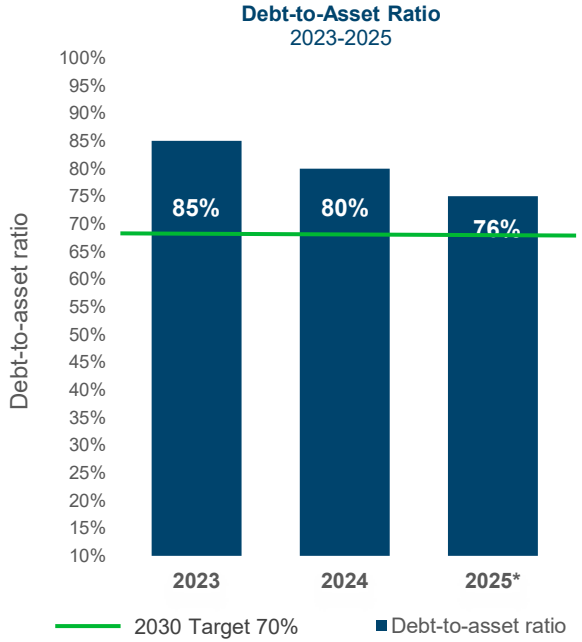


2024-2025 Performance | LIPA's Fiscal Sustainability Policy Metric Updates

- LIPA's sources of liquidity for operating purposes exceeded its policy of 150 days of operating expenses by achieving 317 days of available cash and credit as of YE 2025.
- LIPA has continuously succeeded at achieving or exceeding this target. LIPA's 2026 budget was approved by LIPA's Board to achieve such targets.
- LIPA seeks to decrease its leverage by reducing its debt-to-asset ratio to 70% or less by 2030. LIPA's debt-to-asset ratio has decreased from over 100% in 2016 to 76% as of 2025.







Maximize Grants

LIPA's status as a public power utility makes it eligible for federal grants which will reduce costs to customers by over **$2.4 billion**.

$ in millions

FEMA Declared Events since 2011	LIPA Restoration Costs ~ $1.2B	Federal Grants received $1.0B

Mitigation Awards	Scope of Work	Federal Grants Awarded
Superstorm Sandy	Storm hardened 338 overhead circuits	$772*
Tropical Storm Isaias	Storm Harden 166 overhead circuits over three years beginning 2026	$408
COVID-19 Pandemic	Replace 770 defective poles in low-moderate income	$10
Total Mitigation Work Awarded		**$418**

** While $772M was awarded, LIPA has received approximately $690M amount to date.*

Minimize costs through Utility Debt Securitization Authority (UDSA) bonds

- In 2025, the Utility Debt Securitization Authority, LIPA's component unit, issued $975 million in refunding bonds providing more than **$120 million in new net present value (NPV) savings.**
- UDSA also issued $115 million of Series 2025TE-1 Green Bonds for eligible system resiliency investments to support LIPA's resiliency investments.
- UDSA Restructuring Bonds have approximately $600 million remaining in statutory capacity.
- Since 2013, UDSA refinancings have saved LIPA customers **$699 million** of NPV savings

Pre-fund Long-Term Liabilities

December 31, 2025 Funding Status:

- $23M was funded to the PSEG Long Island pension plan trust account; the pension plan assets exceed the obligation resulting in a 105% funded ratio.
- $11M was funded to the LIPA OPEB Dedicated Account to prefund the OPEB benefits of PSEG Long Island employees; the OPEB Dedicated Account currently has assets in excess of the benefit obligation.
- $1M was funded to the LIPA OPEB Trust for LIPA employees; the Trust had assets valued at $39M and is 111% funded ratio.
- $0.3M was funded to the NMP2 Nuclear Decommissioning Trust Funds (NDTF); the NDTF had assets valued at $229M compared to a liability of $113 million.

The funding levels are reviewed by an actuarial services firm on a periodic basis.

Cash-on-Hand & Available Credit

- Cash on hand at the end of each month exceeded the target of $100M in the Operating Fund and $150M in the Rate Stabilization Fund. As of December 31, 2025, the Operating and Rate Stabilization funds totaled **$604M and $154M**, respectively.
- During 2025, cash on hand and available credit exceeded the target of at least 150 days available for operating expenses. As of December 31, 2025, **317 days** of operating expenses were available in cash and credit.

($ in thousands)	December 31, 2025	Days Cash	December 31, 2024	Days Cash
Operating liquidity				
Unrestricted cash and cash equivalents	871,514		694,859	
OPEB account cash, cash equivalents & investments	874,170		736,023	
PSEG Long Island Working Capital requirements	287,255		304,612	
Total operating liquidity	**$2,032,939**	219	**$1,735,494**	189
Available credit				
General Revenue Notes - Revolving Credit Facility	200,000		200,000	
General Revenue Notes - Commercial Paper	712,000		700,000	
Total available credit	**$912,000**		**$900,000**	
Total cash, cash equivalents, investments & available credit	**$2,944,939**	317	**$2,635,494**	287
Restricted cash				
Clean Energy Compliance Fund	21,084		20,572	
UDSA	106,001		129,695	
Repayment of Series 2021 Notes			250,000	
Total restricted cash	**$127,085**		**$400,267**	

LIPA continues to exceed its required 150 days cash and available credit on hand

Develop Budgets & Financial Plans that Maximize Customer Value and Aggressively Manage Costs

- LIPA's 2026 Budget sets rates and charges to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA's assets and result in the lowest long-term cost to customers. LIPA's 2026 Budget was approved in December 2025.

- The 2026 Budget reflects nearly a flat operating budget and ongoing cost savings.

- The 2026 Budget seeks to achieve 1.40x LIPA fixed obligation coverage.

Minimizing LIPA's Need for Coverage

Maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict costs to minimize LIPA's need for coverage.

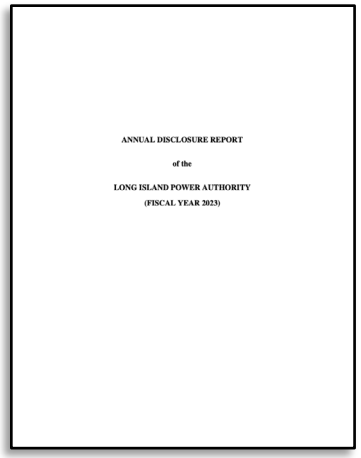
Cost Recovery Mechanisms Greatly Reduce Financial Volatility

- LIPA rate mechanisms address exposure to revenue and expense variation:
  - **Revenue Decoupling Mechanism**: Collects or refunds to customers any revenue variances – resets annually - LIPA's 2025 residential and commercial customers rates included an approximate $12 million refund and $18 million surcharge, respectively, for 2024 differences. LIPA's 2026 residential and commercial customers rates include an approximate $2 million refund and $15 million surcharge, respectively, for 2025 differences.
  - **Power Supply Cost Recovery Mechanism**: Charge resets monthly to reflect actual costs
  - **Delivery Service Adjustment:** Collects or refunds any difference between amounts set in the Budget (revenue requirement) and actual costs incurred – resets annually - LIPA's 2026 and 2025 rates included a refund of approximately $19 million and $10 million, respectively related to applicable variances.
  - **Storm** – LIPA has approximately $60M in reserve for use against future storms.

LIPA's Annual Budget, Annual Disclosure, and Financial Reporting

All Available on LIPA's Website:

- The 2024 Annual Disclosure Reports and Audited Financial Statements, for LIPA and the Utility Debt Securitization Authority (UDSA) were approved and issued in 2025.
- The 2026 Budget was approved on December 17, 2025.
- Annual Work Plans and Annual Performance Metrics.
- Fact sheets and videos on topics of significant interest.



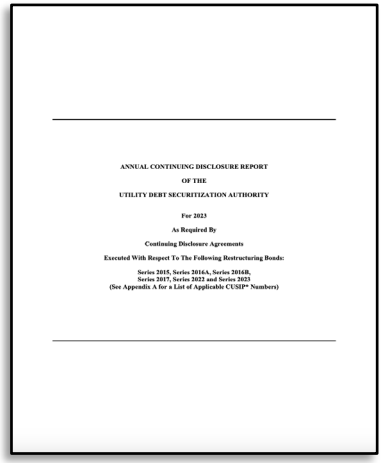
ANNUAL DISCLOSURE REPORT

of the

LONG ISLAND POWER AUTHORITY

(FISCAL YEAR 2023)

LIPA Annual Disclosure Report



ANNUAL CONTINUING DISCLOSURE REPORT
OF THE
UTILITY DEBT SECURITIZATION AUTHORITY

For 2023

As Required By

Continuing Disclosure Agreements

Executed With Respect To The Following Restructuring Bonds:

Series 2015, Series 2016A, Series 2016B,
Series 2017, Series 2022 and Series 2023
(See Appendix A for a List of Applicable CUSIP® Numbers)

UDSA Annual Disclosure Report

LIPA's 2026 Annual Budget

LIPA's 2024 Audited Financial Statements

Fiscal Sustainability Policy Annual Compliance

- ✓ LIPA's Board has a fiscal sustainability policy that targets reducing its debt-to-asset ratio to **70% by 2030 and maintaining at least 1.40x fixed obligation coverage**
- ✓ Maximize grants and low-cost funding sources (FEMA opportunities)
- ✓ Minimize costs through UDSA bonds
- ✓ Pre-funding long-term liabilities – OPEB Account, Pension, and Nuclear Decommissioning Trust
- ✓ Sound budgeting practices and use of reconciliation mechanisms
- ✓ Maintain cash-on-hand and available credit at 150 days of operating expenses ($100M in Operating Fund; $150M in Rate Stabilization Fund)

Enterprise Risk Management

There is one medium-rated risk on LIPAs enterprise risk profile. *Insufficient liquidity to cover obligations results in the inability to make debt service payments and cover operating expenses.* The risk is being mitigated by:

- LIPA's ability to access capital markets, borrow from rate stabilization funds, a revolving line of credit, and/or in the commercial paper market
- Maintaining a strong credit rating with Fitch, S&P, and Moody's
- Sustaining liquidity well above the minimum 150 days, as required by the Policy

Based on credit ratings, strong liquidity, and the ability to access capital markets, we believe this risk is being sufficiently managed.

Questions?

Donna Mongiardo
Chief Financial Officer

lipower.org

FOR CONSIDERATION
January 26, 2026

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Consideration of Approval of the Annual Report on the Board Policy on Fiscal Sustainability

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution finding that LIPA has complied with the Board Policy on Fiscal Sustainability (the "Policy") and approving the annual report for the Policy, which resolution is attached as **Exhibit "A."**

Background

In September 2016, the Board adopted the Policy, previously known as the Board Policy on Debt and Access to the Credit Markets, with the purpose of serving the long-term interests of LIPA's customers by adopting sound financial plans each year. Sound financial plans ensure ready access to borrowing on reasonable terms necessary to fund the infrastructure investments that maintain the reliability and resiliency of the Long Island electric system. Such financial plans contemplate prudent levels of borrowing that will accommodate efficient access to the capital markets and thereby minimize the long-term cost of providing electric service to LIPA's customer-owners. The last annual report to the Board was presented in September 2024. All 2025 financial information is based on unaudited results and subject to change.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy for the period since the last annual review. The Policy provides that "LIPA's vision for fiscal sustainability is to meet the Board's policy goals to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA's assets and result in the lowest long-term cost to customers. To achieve our vision for fiscal sustainability, LIPA will:

"Decrease LIPA's leverage and cost of capital by:"

- "Achieving AA-category credit ratings via reducing LIPA's debt-to-assets ratio from 92 percent to 70 percent or less by 2030."
    - In 2025, Fitch Ratings (Fitch) , Moody's and S&P Global reaffirmed their ratings at A+ (stable), A2 (stable) and A (stable), respectively.
    - LIPA's debt-to-asset ratio has decreased from over 110% as of the end of 2015 to approximately 75% as of 2025.

- "maximizing grants and low-cost funding sources; minimizing costs through securitization of debt and tax-exempt financing."
    - LIPA continues to manage its FEMA Section 406 Mitigation grant totaling $408 million under the Tropical Storm Isaias disaster to storm harden primary sections of the T&D system. Engineering is under way and material and contractor procurements. LIPA requests quarterly reimbursements beginning with March 31, 2026, which is expected to be approximately $10 million.
    - LIPA was also awarded a grant to fund $3.5 million to harden three transmission crossings. Construction is scheduled to conclude in mid-2026.
    - Under FEMA Section 404 Mitigation grant opportunities resulting from COVID-19, LIPA was awarded two $5 million grants to replace defective poles in low-to-moderate income communities within LIPA's service territory.
    - FEMA permitted utilization of the estimated underrun of $53 million from the Superstorm Sandy Grant to install branch-line reclosers. LIPA expects 8,500 devices to be installed through December 2027.
    - In 2025, Utility Debt Securitization Authority (UDSA) issued $975 million in refunding bonds, providing more than $120 million in net present value savings and bringing total refinancing savings to approximately $699 million. Also issued were $115 million of Green Bonds for eligible system resiliency investments. UDSA Restructuring Bonds have approximately $600 million in statutory capacity remaining.

- "pre-funding long-term liabilities on an actuarially sound basis including (1) pension costs, (2) Other Post-Employment Benefits ("OPEBs"); and (3) the Nuclear Decommissioning Trust Fund."
    - LIPA funded $25 million and $23 million to the PSEG Long Island pension plan trust in 2024 and 2025, respectively. The pension plan assets exceed the obligation resulting in a 105% funded ratio.
    - LIPA funded $36 million and $11 million to the LIPA Dedicated OPEB Account in 2024 and 2025, respectively, funding the OPEB benefits of PSEG Long Island employees. The account assets currently exceed the benefit obligation .
    - LIPA's employee OPEB Trust is valued at $39 million exceeding the obligation resulting in a 111% funded ratio.
    - The NMP2 Nuclear Decommissioning Trust is valued at $229 million compared to a liability of $113 million. LIPA funds $0.3 million annually.

- "maintaining fixed-obligation coverage ratios of no less than 1.40x on LIPA-issued debt and lease payments, and 1.20x on the combination of LIPA-issued debt, UDSA-issued debt, and lease payments."
    - For the period ended December 31, 2024, LIPA achieved coverage ratios of 1.51x for LIPA-issued debt and lease payments and 1.33x for LIPA and UDSA-issued debt and lease payments. Results for the year ended December 31, 2025 are unaudited but are estimated to be 1.50x and 1.33x.
    - The 2026 Budget is set to meet a 1.40x fixed-obligation coverage ratio.

- "minimizing LIPA's need for coverage while maintaining fiscal sustainability by

budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories (e.g. storms)."

- LIPA's Revenue Decoupling Mechanism ("RDM") ensures that only LIPA's Board-approved budgeted revenues for delivery service are collected from customers in each customer class by comparing actual revenues with authorized revenues. The RDM credits (or collects) any differences to (or from) customers in the following year. LIPA's 2025 residential and commercial customers rates included an approximate $12 million refund and $18 million surcharge, respectively, for 2024 differences. LIPA's 2026 residential and commercial customers rates include an approximate $2 million refund and $15 million surcharge, respectively, for 2025 differences.
- LIPA's Delivery Service Adjustment ("DSA") provides cost recovery or refunding of overcollection for certain items that vary due to external factors, including debt service, storm restoration, Board approved non-storm emergency costs, and PSEG Long Island pension and OPEBs. LIPA's 2026 and 2025 rates included a refund of approximately $19 million and $10 million, respectively related to applicable variances.
- As of September 30, 2025, the Storm Reserve Threshold was met at $75 million, allowing LIPA to forecast approximately $50 million in lower borrowing in 2026.

- "Maintain cash on hand and available credit sufficient to fund business operations in emergencies, as measured by month-end balances of at least: (i) $100 million in the Operating Fund and $150 million in the Rate Stabilization Fund, and (ii) 150 days of operating expenses."

  - During 2025 and 2024, cash on hand at the end of each month exceeded the target of $100 million in the Operating Fund and $150 million in the Rate Stabilization Fund. As of December 31, 2025, the Operating and Rate Stabilization funds totaled $604 million and $154 million, respectively. As of December 31, 2024, the Operating and Rate Stabilization funds totaled $207 million and $173 million, respectively.
  - During 2025 and 2024, cash on hand and available credit exceeded the target of at least 150 days available for operating expenses. As of December 31, 2025 and 2024, 317 and 287 days of operating expenses were available in cash and credit, respectively.

- "Develop budgets and financial plans that maximize customer value and aggressively manage costs."

  - LIPA's 2026 Budget, which was approved in December 2025, sets rates and charges to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA's assets and result in the lowest long-term cost to customers.

- "Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources."

    - LIPA's financial reporting managers provide analysis of budgeted costs versus actual spending to LIPA's operating departments to aid in their analysis of PSEG Long Island's resource management. Significant variations are identified and investigated timely.

- "Provide LIPA's customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA's financial performance and plans."

    - Below are LIPA's reports made available on its website:
        - 2026 Budget was approved by LIPA's Board on December 17, 2025.
        - Annual audited Financial Statements were approved by LIPA's Board on March 27, 2025, and made available on the Electronic Municipal Market Access ("EMMA") platform for bondholders.
        - Annual Disclosure report and also made available on EMMA.
        - LIPA undertakes substantial reporting obligations to make available its plans and evaluate its performance relative to plan, including the Strategic Plan , Work Plans, and Performance Metrics , among other items.
        - LIPA and its servicer provide Fact Sheets and videos on topics of significant interest (e.g. Budget, Time of Day Rates , the clean energy initiatives).
        - LIPA's Transparency Plan summarizes other initiatives to make its operations and decisions transparent to customers, investors, and stakeholders.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management ("ERM"). Enterprise risks are brought to the Board's attention throughout the year. One such enterprise risk is related to liquidity. Specifically, the risk identified is, "Insufficient liquidity to cover obligations results in the inability to make debt service payments and cover operating expenses."

This risk is rated as a medium-level risk and is mitigated by LIPA's ability to access capital markets, borrow from rate stabilization funds, a revolving line of credit, and/or in the commercial paper market. As of 2025, LIPA maintains a strong credit rating with Fitch, S&P and Moody's helping LIPA to further mitigate this risk by providing confidence in LIPA's ability to access capital markets. As noted above, LIPA's liquidity remains strong, well above the 150-day minimum required by the Policy.

Based on credit ratings, strong liquidity, and ability to access capital markets, we believe this risk is being sufficiently managed.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and recommends no amendments

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON FISCAL SUSTAINABILITY

WHEREAS, the Board Policy on Fiscal Sustainability (the "Policy"), previously known as the Debt and Access to the Credit Markets, was originally approved by the Board of Trustees by Resolution No. 1319, dated September 21, 2016; and

WHEREAS, the last annual report to the Board was presented in September 2024; and

WHEREAS, Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board.

Dated: January 28, 2026

Economic Development & Community Engagement

Presented by: Suzanne Brienza and Michael Presti
Prepared for: LIPA Board of Trustees

March 26, 2025

Discussion Topics

- Overview of Large Business Programs (non-managed)
- Overview of Small Business Programs
  - Vacant Space Revival
  - Main Street Revitalization
  - Community Thrive
  - Small-Medium Business Outreach
- Large Customer – Major Accounts

Programs for Large Business

Programs for Large Business

- **Business Development Rate:**
  - 5-year bill credit program for new or expanding Long Island businesses
  - 2021: 18 customers, $410,000 in discounts
  - 2022: 16 customers, $476,975 in discounts
  - 2023: 18 customers, $322,679 in discounts
  - 2024: 19 customers, $398,875 in discounts

- **Excelsior Jobs Program:**
  - Statewide program providing utility rate discounts and tax credits to incentivize job creation, retention, and local investment
  - On Long Island, over 6,200 jobs were retained or added, with $150 million in capital investment
  - 116 Long Island projects accepted in the program
  - 2021: $916,058 in discounts paid to 20 NYS-certified accounts
  - 2022: $986,686 in discounts paid to 19 NYS-certified accounts
  - 2023: $613,242 in discounts paid to 19 NYS–certified accounts
  - 2024: $959,649 in discounts paid to 21 NYS–certified accounts*

- **Recharge New York:**
  - Energy commodity program with lower-cost hydro and market energy provided by NYPA, with PSEG Long Island as the delivery agent
  - 230 PSEG Long Island customers participate in this program

Small Business Program: Vacant Space Revival

- **Vacant Space Revival Program**
  - Helping local business districts fill vacant commercial spaces
- **Program Goals:**
  - Drive economic growth in local business communities
  - Create electric revenue from existing infrastructure assets
  - Create local jobs

- **Incentives:**
  - Subsidizes first-year electricity costs for new businesses
  - Rate 280 credits up to $3,000
  - Rate 281 credits up to $10,000

- **Participation & Incentives** (note: we did not promote during the pandemic)
  - 2018 levels – 29 customer applications, 25 approved & $26,979 incentives paid
  - 2019 levels – 36 customer applications, 24 approved & $31,254 incentives paid
  - 2020 levels – 16 customer applications, 11 approved & $55,536 incentives paid
  - 2021 levels – 24 customer applications, 12 approved & $49,891 incentives paid
  - 2022 levels – 37 customer applications, 27 approved & $25,647 incentives paid
  - 2023 levels – 40 customer applications, 24 approved & $87,064 incentives paid
  - 2024 levels – 48 customer applications, 27 approved & $90,743 incentives paid

Small Business Program: Main Street Revitalization

- **Main Street Revitalization Program**
  - Revitalizing underutilized business districts

- **Program Goals:**
  - Support local communities and small businesses
  - Optimize the existing electric infrastructure
  - Create jobs and leverage capital investment

- **Incentives:**
  - Up to $100,000 grant with match, up to $25,000 without match
  - Projects with greater economic benefits to the community earn higher incentives

- **Accomplishments To Date:**
  - 69 projects supported
  - Projects have provided $164 million in direct investment and created over 1,110 jobs
  - Total PSEG Long Island grants of $1,716,562 awarded since 2018
  - 2024: 27 projects, $386,000

Small Business Program: Community Thrive

- **2020 / 2021 /2022: Main Street Revitalization - Chamber of Commerce Grants**
  - Provided grants of up to $5,000 to Chambers of Commerce to enable & enhance outdoor commerce
  - 53 individual grants provided, totaling $218,525

- **2021/ 2022: Chamber of Commerce Beautification Grants**
  - New program providing grants of up to $2,000 to Chambers of Commerce for landscaping and beautification to improve appeal of business community
  - Increased incentives in 2022 from $2,000 to $3,500
  - 34 individual grants provided, totaling $91,268

- **2023: Chamber of Commerce Combined Program**
  - New program providing grants of up to $10,000 to Chambers of Commerce to enable and enhance outdoor commerce, landscaping and beautification to improve appeal of business community
  - 39 individual grants provided, totaling $215,263

- **2024: Community Thrive - Chamber of Commerce Combined Program**
  - Continuation of the existing program - providing grants of up to $10,000 to Chambers of Commerce to enable and enhance outdoor commerce, landscaping and beautification to improve appeal of business community
  - 23 individual grants provided, totaling $114,600

Small-Medium Business Outreach & Engagement

BCA Progress 2023	YE
Team Size	12
Businesses Visited *100% Proactive Approach*	37,075
Zip Codes Visited	186

BCA Progress 2024	YE
Team Size	4
Businesses Contacted *Proactive/Reactive Approach*	40,504
Zip Codes Contacted	228

*First 6 months were 100% proactive visits.

*Major program changes in 2025 due to funding cuts.

Main Street Revitalization Grant

Abandoned Office Building, Woodmere

- Main Street Revitalization Award: $25,000
- Received over $10,000 in rebates for new heat pumps, VRF, and LED lighting
- Created 20+ permanent jobs
- Invested more than $1,200,000 in new office building
- The site was abandoned for years

Before

After

Brian Norman/Herald

Joel Preminger, with scissor, was welcomed to the community by Hewlett-Woodmere Business Association President David Friedman, second from right, and PSEG LI reps.

From eyesore to opportunity: Revitalizing 1015 Cedar Lane

By Brian Norman

bnorman@liherald.com

Members of PSEG Long Island and the Hewlett-Woodmere Business Association helped welcome Joel Preminger and the renovated 1015 Cedar Lane property to the community.

vacant for seven years now and with the help of PSEG Long Island, he was able to completely rejuvenate the building, while making it environmentally friendly at the same time.

"I demolished the old dilapidated building that was vacant here for about seven years here and thankfully

Main Street Revitalization Grant

Romeo's Deli & Pizza, Roosevelt

- Main Street Revitalization Award: $25,000
- Receiving Vacant Space Revival bill credits
- Created 8 permanent jobs
- Invested more than $300,000 in new business
- First time business owner who grew up in the community and wanted to bring healthy food options to the area
- Identified as a NYS Disadvantaged Community

Main Street Revitalization Grant

John Theissen Children's Foundation Fun Center

- Main Street Revitalization Award: $50,000
- PSEG Long Island sponsored the Arcade Room at their new JTCF Fun Center
- Foundation runs events and parties for disadvantaged children, auctions gift cards for local businesses, helps other foundations, and is active in helping communities across Long Island.

PSEG Long Island and John Theissen Children's Foundation Support Children in Need. - YouTube

Vacant Space Revival Program: 12 Month Bill Credits

The Baking Coach, Bellport

L. I. Salty Kids, Patchogue

iSmash, Farmingdale

Issi Beauty Spa, Port Washington

Doublefish Sushi, Malverne

Community Thrive Program: Social Testimonials

Glen Cove Chamber

City of Long Beach

Huntington BID

Glen Cove Chamber of Commerce
November 14, 2024 ·

Glen Cove Chamber of Commerce
November 1, 2024 ·

The Glen Cove Chamber of Commerce was alerted to a litter issue at the entryway along Cedar Swamp Road, primarily due to a shortage of trash receptacles near local businesses.

In support of this community need, Chamber President Dr. Maxine Cappel Mayreis and our Board of Directors convened to create a lasting solution.

Vice President Dr. Eve Lupenko Ferrante and Past President Matt Nartowicz led the initiative, reaching out to PSEG to participate in their beautification grant program. With PSEG's generous grant, the Chamber partnered with the City of Glen Cove, Mayor Pam Panzenbeck, and the Department of Public Works to install new receptacles and arrange for regular garbage pickup.

Eve and Matt carefully selected locations for six new receptacles in front of businesses most in need, enhancing the area's cleanliness and appeal.

Their efforts, along with the commitment of our Board, reflect the Chamber's dedication to making Glen Cove a welcoming place for all.

Thanks to PSEG Long Island for their partnership and investment in our community. We also extend our gratitude to the Department of Public Works, the City of Glen Cove, and Mayor Panzenbeck for their essential support and collaboration in bringing this project to life.

Huntington Station Business Improvement District is in Huntington Station, NY. · Follow
January 10 at 3:05 PM ·

Earlier today Friday, January 10th the Huntington Station BID met to celebrate the funding received from PSEG's Thrive Program for Outdoor Commerce and Beautification!

.

It is with this grant that the BID was able to purchase much needed garbage cans to continue to keep our business community clean.

Our board members were joined by PSEG's Economic Development specialists Christine Bryson & Linda Herman as well as Town of Huntington Supervisor: Ed Smyth, Deputy Supervisor: John McCarron, Citizen Advocate, Jonas Wagner, Town Councilman, Sal Ferro and Suffolk County Legislator, Rebecca Sanin.

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#PSEGLI #BusinessFirst #bid #

City of Long Beach, New York (OFFICIAL) · Follow
October 17, 2024 ·

City Manager Dan Creighton and Deputy City Manager Phil Ragona joined Artists in Partnership, the Long Beach Chamber of Commerce, and PSEGLI to celebrate a creative collaboration inspired by local photographers and the beauty of Long Beach.

With a grant from PSEGLI, artist Ronda Gale was commissioned to bring beauty to several planters along Park Avenue in the Central Business District.

Small-Medium Business: Social Media Outreach

PSEG Long Island
November 30, 2024 ·

When you shop small, you're doing more than making a purchase—you're helping a
food on the table and keep their dreams alive ✨ This #SmallBusinessSaturday, we'
spotlighting a few local businesses we supported through our Business First progran
our community.

Tag your favorite local businesses and show them some extra love this weekend! 💗
#ShopSmall

PSEG Long Island
6h ·

This February, show some love to the small businesses that make our community special! ❤️
Through our Business First program, local entrepreneurs are filling vacant spaces and bringing
fresh energy to our business districts. With special incentives for eligible businesses, we
together to create vibrant, growing neighborhoods.
Meet some of the passionate businesses making a difference:

- 💗 ZUZU Farmingdale
- 💗 The Pizzeria of Lindenhurst
- 💗 Dukes House of Bowls
- 💗 Castaways Port Jefferson
- 💗 Victoria Elizabeth Suite Experience
- 💗 Harborfields Music Center
- 💗 Valentina Paige Hair Studio

PSEG Long Island
December 13, 2024 ·

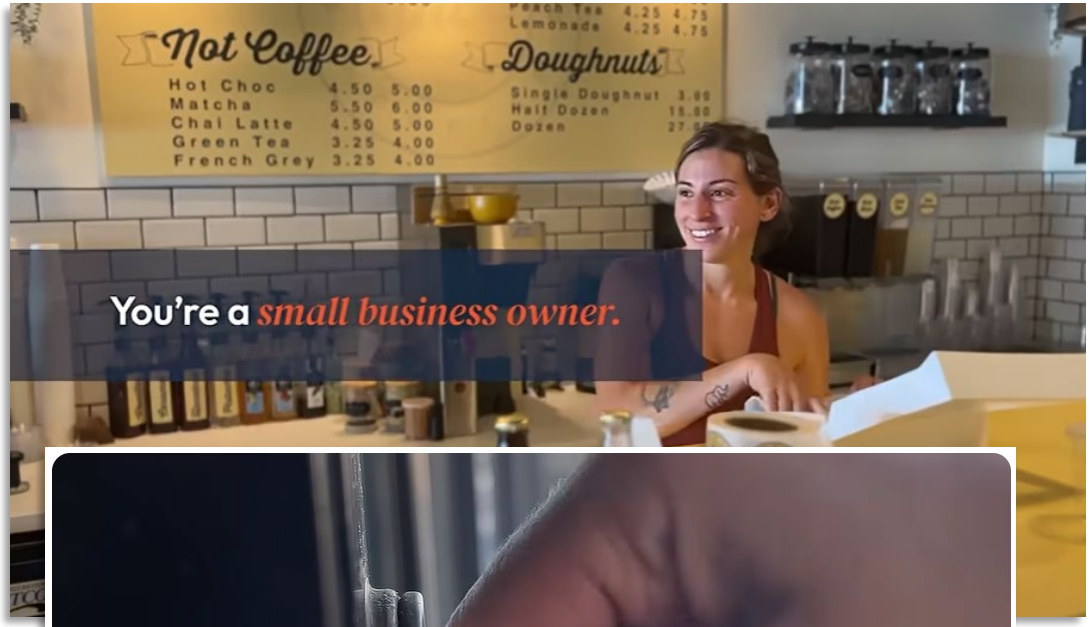
20 artists.
9 days.
Bay Shore's history is now alive in color 🎨 🖌️

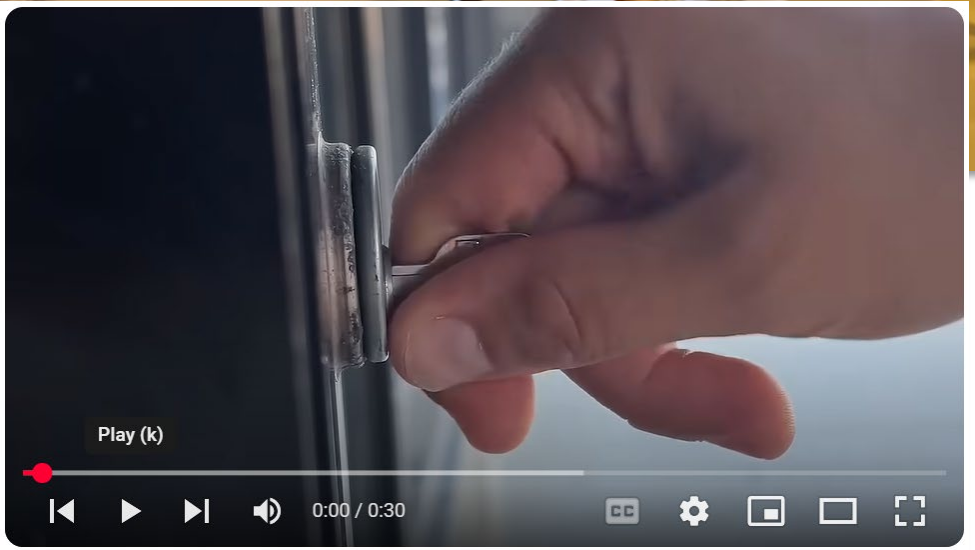
This incredible mural celebrates the town's roots with vintage postcard-inspired visuals of cherished landmarks like the Entenmann's bakery, Soldiers and Sailors Memorial Building, and the historic Post Office. It's more than paint on a wall—it's a heartfelt tribute to the community. Made possible through our $7,100 Business First THRIVE grant, this project honors Bay Shore's past while investing in its future.

Stop by, soak it in, snap a photo, and support the local businesses that make this town so special ❤️

Small-Medium Business: Marketing Promotions

Small-Medium Business: Video Content & Testimonials





Welcome - Small Business First Program Introduction

PSEG Lon... 5.66K... Subscribed Like Share

Business First Program

PSEG Lon... 5.66K... Subscribed Like Share

Major Accounts
High Visibility Projects
Business Customer Solutions

Roslyn School District: Electric School Bus (ESB) Transition

- NYS has mandated for all school districts that stipulate all new school bus purchases must be ESBs starting in 2027 (all school buses in operation must be electric by 2035)
- Roslyn School District is already planning its transition and is working with Blue Bird to purchase 67 ESBs that will be district-owned and operated
- Transition expected to begin in Summer 2024 and will take a few years to complete
- Working with district engineers (BBS Engineers) to conduct studies for potential site locations for a bus depot along with electric infrastructure needs
- State and Federal funding is available to assist districts with the costs associated with the transition to ESBs

Good Samaritan Hospital - Advanced Surgical Pavilion

Good Samaritan Hospital is nearing completion of its $525 million, 300,000 square-foot Advanced Surgical Pavilion (ASP), which started in 2022. When open, the ASP will feature a 75-bay, 70,000 square-foot emergency department with 16 high-tech replacement operating rooms and three floors of private patient rooms. The rooms will feature larger and enhanced clinical areas that have closer access within the hospital to key services.

This year, PSEGLI installed and energized the new Underground Loop for the ASP building. The loop is fed from separate feeders and consists of 2 LBD risers, a new ATO, PMH-9 Switchgear, and 3 1500KVA Pad mounts. The project accounts for approximately 4 MW of additional load to the system.

Major Accounts has also worked closely with Catholic Health Services personnel and contractors to support this endeavor along with various PSEGLI Internal Department

The ASP is expected to officially open in late 2025

Tritec – Station Yards

Well-positioned at the crossroads of road, rail, and air, Station Yards spans 53+ acres surrounding the Ronkonkoma Long Island Railroad Station and will consist of approx.:

- 1,450 homes
- 195,000 ft^2 of retail space
- 360,000 ft^2 of office space
- 60,000 ft^2 of hospitality space

When complete, will add approximately **<u>10 MW of additional load</u>**.

Major Accounts has worked closely with internal PSEG LI Departments including:

- Design Planner
- OH/UG Construction
- Meter & Test
- TRC for CEP Rebates
- EV Program Team
- Real Estate
- Legal

Wegmans Food Market – First Long Island Location

Project Details:

- First Wegmans on Long Island located at the DSW shopping center in Lake Grove
- New construction of the 95,000 square foot supermarket began in 2023, including a demo of existing retail space
- At project inception, Major Accounts proactively provided introductions and adopted Wegmans under the portfolio of LCS managed accounts
- Proactive promotion of CEP applications and opportunities is actively being reviewed

About Wegmans:

- Headquarters: 1500 Brooks Ave., Rochester NY 14603
- The Wegman family owns and operates 110 supermarkets in eight states
- Employs over 53,000 workers
- Lake Grove expected to exceed 500 employees
- Grand Opening February 26, 2025

Roosevelt School District PV Solar Project

- Honeywell - Energy Performance Contract for PV Installation
- PV Solar Project to be installed Districtwide:
  - **Ulysses Byas Elementary School – 150 KW Photovoltaic Panels**
  - **Washington Rose Elem. School – 150 KW Photovoltaic Panels**
  - **Centennial Elementary School – 337.50 KW Photovoltaic Panels**
  - **Roosevelt Middle School – 1,150 KW Photovoltaic Panels**
  - **Roosevelt High School - 700 KW Photovoltaic Panels**
- Substantial substation upgrade work required:
- Circuits 5R-166; 4W-234
- Customer contribution for upgrade work - $528K
- Approved by School Board to move forward
- High District Building Aid (NYS subsidy) makes project profitable
- Project submitted to SED (State Ed. Dept.) awaiting State approval

Verizon Fleet Electrification & Fuel Cell Projects

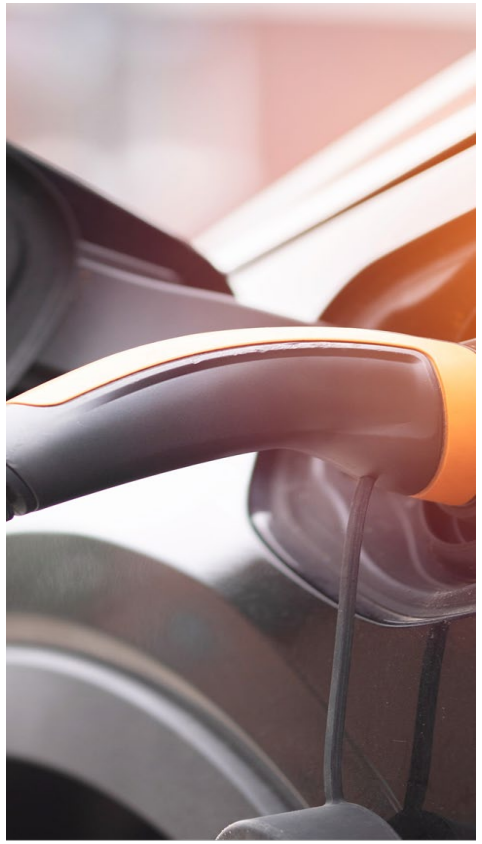
Over the next 2 years, Verizon will install **132** electric vehicle charging stations and will electrify their fleet of utility trucks at three locations within the PSEG Long Island territory.

EV Charging Stations: 129 Level 2 and 3 DCFC chargers

- *Bohemia:* Added load of 750 kW
  - 52 Level 2 and 1 DCFC chargers
- *720 Larkfield Ave*: Need new 500 kVA transformer and switchgear
  - 25 Level 2 and 1 DCFC chargers
- *Duffy Ave Hicksville* : Added load of 750 kW
  - 52 Level 2 and 1 DCFC chargers

Fuel Cell projects: Twenty-two (22) projects. PAM and Design Planners are actively working with the customer.

- Phase 1 (2024 – 2025): 14 sites
- Phase 2 (2025 & beyond): 8 sites



Questions?

Suzanne Brienza
Michael Presti

FOR CONSIDERATION
March 26, 2025

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Approval of the Annual Report on the Board's Policy on Economic Development and Community Engagement

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Economic Development and Community Engagement (the "Policy"); and (ii) finding that LIPA has complied with the Policy since the last annual review, which resolution is attached hereto as **Exhibit "A".**

Background

The Board adopted the Policy in March 2017 to promote the economic growth and vitality of the service territory through the efficient use of utility plant and equipment, consistent with LIPA's mission to its customer-owners. The Board last reviewed and amended the Policy in September 2022.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy since the last annual review.

The Policy provides that "LIPA's vision for economic development and community engagement is to promote the economic growth and vitality of our service territory by encouraging the efficient use of utility plant and equipment and by attracting personnel to LIPA and its service provider who are purpose-oriented and dedicated to Long Island and the Rockaways." In furtherance of that vision, the Policy directs LIPA to "[attract] both large and small commercial customers to the service territory and helping such customers grow their businesses through electric rates that are discounted below LIPA's average cost of service." The Policy also provides that LIPA will "[o]ffer economic development rates and programs consistent with those offered by other utilities in the State or best practices within the electric utility industry." Since the last annual review of the Policy, LIPA's economic development rates and programs achieved the following results:

- 187 large business accounts received discounted power through the Business Development Rate and legacy New York State programs, such as the Excelsior Jobs program in 2021-2024. These businesses received approximately $5.1 million in discounts in 2021-2024 ($1.6 million from the Business Development Rate and $3.5 million from the Excelsior program).

- 841 large business accounts received power through the Recharge New York program, with commodity delivered by LIPA and its agent, PSEG Long Island in 2022-2024, reflecting 213,810 jobs and $5.2 billion in capital spend.

- 149 applications were submitted, with 90 small business customers approved through the Vacant Space program in 2021-2024. The program encourages new businesses to occupy spaces that have been vacant for at least one year. The total cumulative incentive awarded during 2021-2024 was $253,345.

- A total of $386,000 of incentives were awarded to support twenty-seven community projects through the Main Street Revitalization program in 2024. Since 2021, 52 projects have received $1.18 million in grants for community projects. This has enabled communities to leverage over $27.3 million in private capital investment, along with creating over 681 jobs.

The Policy further provides that LIPA and the service provider will "[engage] in community events, volunteerism, educational programs, and selected grant-making consistent with LIPA's powers, duties, and purpose and the framework of this Policy, with a general preference for engaging with governmental entities, not-for-profit organizations, and businesses located in the service area."

- During the COVID-19 pandemic, two new programs were developed and introduced to the Chambers of Commerce in LIPA's service territory. Grants of up to $5,000 to enable outdoor commerce began in 2020. 2020-2022 Outdoor Renovation grants totaled $219K. In 2021, the program was expanded to include grants for up to $3,500 for landscaping and beautification. 2021-2022 Beautification grants totaled $91K. In 2023, the program combined outdoor renovation with beautification and introduced the "Thrive" campaign designed to support local Main Street business projects to enhance communities and encourage commerce. The Community Thrive program offers grants of up to $10,000 per Chamber. 2023 Thrive grants totaled $215K. In 2024, 23 grants totaling $114,600 were issued to participating Chambers.

Lastly, the Policy provides that LIPA will "[endeavor] to be an agent of local economic development as a large purchaser of goods and services. In doing so, in selecting among alternatives, LIPA will take into consideration the operational, environmental, and economic benefits to the service territory, including any impact on long-term local employment."

- LIPA has identified and engaged a third party to do an assessment of LIPA and PSEG Long Island's local and WMBE spending by category next year. The initiative will also develop a strategy to reach out to potential local and MWBE suppliers and assist them in becoming more competitive and knowledgeable about LIPA and PSEG Long Island.

<u>Annual Review of the Policy</u>

LIPA Staff has reviewed the Policy and recommends no changes at this time.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON ECONOMIC DEVELOPMENT AND COMMUNITY ENGAGEMENT

WHEREAS, the Board Policy on Economic Development and Community Engagement (the "Policy") was originally approved by the Board of Trustees by Resolution No. 1356, dated March 29, 2017; and

WHEREAS, the Policy was last reviewed and amended by the Board in September 2022; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report to the Board, as presented at this meeting.

Dated: March 26, 2025

Annual Report on Safety

Presented by: Umair Zia, Vice President
Transmission & Distribution System Performance

March 25, 2026

Discussion Topics

- Board Policy on Safety
- Policy Compliance and Overall Assessment
- Risk Management

Board Policy on Safety

It is LIPA's **Board Policy on Safety** to:

- Review no less than every three years the policies, procedures, and practices of the Authority's service provider.
- Benchmark safety to the top 10 percent of peer utilities, as measured by OSHA Recordable Incidence Rate and OSHA Days Away Rate.
- Take steps to eliminate fatalities and serious injuries to employees, contractors and members of the public.
- Assess the operational factors that contribute to injuries, motor vehicle accidents and red-light violations and the efforts to improve performance, where necessary.

Jones Beach Energy and Nature Center I Wantagh, New York

Policy Compliance & Overall Assessment

Meeting the Board's Expectations for Safety

✓ Triennial Review of the Service Provider's Safety Policies, Procedures, and Practices

- In 2024, LIPA hired an independent third-party consultant to conduct its fourth Triennial Safety Assessment of PSEG Long Island. The scope of work included reviewing items from previously conducted Safety Assessments to ensure that corrective actions associated with previous recommendations were properly implemented. The consultant also conducted on-site field observations of PSEG Long Island's work practices and safety management processes, including comparisons with industry best practices.
- The final Triennial Report was issued in October 2024. The report rendered an overall positive opinion and concluded that "PSEG Long Island's management personnel views safety as not just a priority but a value." The recommendations addressed a broad array of safety areas that, when successfully completed, would serve "to enhance PSEG Long Island's already extensive safety programs."
- Report Recommendations were consolidated into the 2024 Triennial Safety Performance metric (T&D-52), which delineated the deliverable steps and timing of corrective actions. LIPA and PSEG Long Island met at the close of the year to formally review PSEG Long Island's comprehensive year-end report that highlighted its progress to date. PSEG Long Island's corrective actions were found to be responsive and timely, enabling it to successfully meet the Triennial Safety metric for 2024. The Parties agreed to continue resolving the remaining items with longer implementation timelines, and all were successfully closed out in 2025.
- The next Triennial Safety Assessment will be conducted in 2027. LIPA will develop a scope of work and select an independent third-party consultant through a competitive bid process to conduct the assessment.

Meeting the Board's Expectations for Safety

✓ **Benchmark to top 10 percent OSHA Recordable Incidence and Days Away Performance**

- Long-term performance trend since PSEG Long Island's 2014 Contract Start is positive for both OSHA metrics, with improvements of 75% for the Recordable Incident Rate and 58% for the Days Away Rate.
- The 2025 Recordable Incident Rate of 0.70 exceeds the top decile industry benchmark of 0.78.
- The 2025 Days Away Rate of 12.28 also exceeds the top decile industry peer group benchmark of 12.61.

Meeting the Board's Expectations for Safety

✓ Taking Steps to Eliminate Fatalities and Serious Injuries for Employees, Contractors, and the Public

- In 2022, LIPA added the Serious Injury Incident Rate ("SIIR") metric to track PSEG Long Island's performance in this area. To set appropriate expectations regarding the importance of this metric, a zero-incident target was established and has remained at that level through the present Contract Year of 2026.

- In 2025, there was a single serious injury to a contract employee. While zero incidents remains the objective, a single serious injury is consistent with top decile performance among industry peers.

- LIPA and PSEG Long Island have collaborated to place the highest level of focus on the SIIR metric for the most serious, life-altering injuries, with heightened safety training and messaging for both employees and contractors. PSEG Long Island has a stringent process for contractor selection that entails a thorough review of the company's safety culture, practices, and record, with contractors who have substandard safety marks excluded from consideration.

- In conclusion, the SIIR metric has not been met since it was first introduced in 2022, but it did see considerable improvement from 2024 to 2025. While LIPA recognizes that PSEG Long Island's Safety Program has improved, PSEG Long Island must continue to strive for better performance in this area, with the goal of avoiding serious safety incidents among employees and contractors.

Meeting the Board's Expectations for Safety

✓ **Assessing Operational Factors that Contribute to Injuries, Motor Vehicle Accidents (MVA) and Red-Light Violations and the Efforts to Improve Performance**

- LIPA conducted monthly reviews of PSEG Long Island's safety metrics via the Scorecard process and in-depth quarterly independent verification and validation ("IV&V"), as described in the Quarterly Performance Metric Report.
- LIPA reviewed PSEG Long Island's MVA rate and moving violation performance. The MVA rate performance improved from 9.37 in 2024 to 8.71 in 2025, with the three-year average performance landing within the top quartile of peers in high-population-density, greater metropolitan areas. Further, moving violation performance (inclusive of red-light violations), a motor vehicle accident safety leading indicator, improved by 14% from 2024 to 2025. PSEG Long Island continues to administer and expand its driver safety training programs and utilization of technology to ensure consistently safe driver practices.
- LIPA notes that PSEG Long Island implemented a new "Good Catch" program, including a review of Near Misses and Stop-the-Job reporting. This resulted in 30 Good Catches reported in 2025, a significant increase over prior years. Good Catches are now recorded and analyzed in PSEG Long Island's SIMS AVA safety reporting system.
- LIPA's oversight for implementation of the 2025 Electric Safety Standards program included meeting with both the New York State Department of Public Service ("DPS") and PSEG Long Island to review current practices and compliance. The annual report titled "2025 Stray Voltage Testing and Facility Inspection Program" was filed with the NYS DPS on February 13, 2026, detailing the results of the 2025 program.

Jones Beach Energy and Nature Center I Wantagh, New York

Risk Management

Enterprise Risk Management

There is one high-rated risk related to the Safety Policy:

"Employees and contractors not following procedures, equipment failures, and a lack of adequate training could result in injury/death to employees, contractors, and/or members of the public."

- To mitigate one of its top risks, PSEG Long Island's Safety Program fosters a high level of safety awareness among its employees and contractors. They verify contractor safety records, review and authorize contractor safety plans prior to the commencement of work, and conduct required training for employees, contractors, and supervisors.
- The Safety Program also includes contractor roundtables with PSEG Long Island staff to ensure adherence to the policies and procedures and identify additional protocols for integration into these sessions.
- Both the contractor and PSEG Long Island conduct post-incident investigations to determine the cause of an incident and mitigate against future recurrence.
- Of note, the Serious Injury Incident Rate (SIIR) metric has not been met since its introduction in 2022, but PSEG Long Island did see considerable improvement from 2024 to 2025. While LIPA recognizes that PSEG Long Island's Safety Program has improved, PSEG Long Island must continue to strive for better performance in this area, with the goal of avoiding serious safety incidents among employees and contractors.

Questions?

Umair Zia

Vice President
Transmission & Distribution
System Performance

lipower.org

FOR CONSIDERATION
March 25, 2026

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Consideration of Approval of the Annual Report on the Board Policy on Safety

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution finding that LIPA has complied with the Board Policy on Safety (the "Policy") for the period since the last annual review, and approving the annual report for the Policy, which resolution is attached hereto as **Exhibit "A."**

Background

By Resolution No. 1379, dated September 27, 2017, the Board adopted the Policy. The Policy sets objectives to ensure a safe environment for the dedicated workforce of its service provider and the public. The Policy also establishes regular performance reporting by LIPA Staff to enable the Board to assess the adequacy of the service provider's policies, procedures, and practices for safety, compliance with applicable health and safety laws and regulations, safety performance, including comparisons to peer electric utilities and initiatives to improve the safety of the service provider's operations. The Policy was last reviewed by the Board in March 2025.

Compliance with the Policy

LIPA Staff recommends that the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual review for the reasons set forth below.

The Policy provides the following:

"Benchmark safety to the top 10 percent of peer utilities, as measured by OSHA Recordable Incidence Rate and OSHA Days Away Rate."

- LIPA performed an independent review that PSEG Long Island benchmarked its safety performance against a nationwide panel of electric utilities. That benchmarking helps establish programs that improve safety performance. For 2025, PSEG Long Island's OSHA Recordable Incidence Rate was 0.70, meeting the Board Policy standard of top decile performance, which was 0.78 for industry benchmarked peer utilities. The 2025 OSHA Days Away performance of 12.28 improved year-over-year from the 14.85 result in 2024 and is now meeting the 12.61 level that reflects top decile performance among industry benchmarked peer utilities.

"Take steps to eliminate fatalities and serious injuries to employees, contractors, and members of

the public."

- In 2022, LIPA added the Serious Injury Incident Rate ("SIIR") metric to track PSEG Long Island's performance in this area. To set appropriate expectations regarding the importance of this metric, a zero-incident target was established and has remained in place through the present contract year of 2026. Unlike the OSHA Recordable Incidence Rate and Days Away rate metrics that solely record injuries for PSEG Long Island employees, the SIIR metric captures all serious injuries incurred by both employees and contractors working on behalf of the company.

- This metric was not met in each of the contract years spanning from 2022 through 2024 and was not met in 2025. However, performance improved from 2024 to 2025. While the single serious injury in 2025 resulted in PSEG Long Island not meeting this metric, PSEG Long Island continues to perform among the top decile performance as benchmarked against industry peers.

- This single serious injury in 2025 involved a contract employee that was injured while performing work on the T&D system. PSEG Long Island has kept LIPA abreast of developments on a timely basis and has provided full supporting documentation related to this incident.

- LIPA and PSEG Long Island have worked to reduce these occurrences via enhanced focus on safety training and messaging for both employees and contractors. PSEG Long Island contractor selection entails a thorough review of the company's safety culture, practices, and record, with those contractors having substandard safety marks excluded from potential selection.

"Assess the operational factors that contribute to injuries (e.g., motor vehicle accidents) and the efforts to improve performance, where necessary."

- LIPA conducted monthly reviews of PSEG Long Island's safety metrics via the Scorecard process. Additionally, LIPA conducts an in-depth quarterly independent verification and validation ("IV&V") process for PSEG Long Island's quantitative safety metrics, as described in the Quarterly Performance Metric Report.

- As part of its IV&V process, LIPA reviewed PSEG Long Island's motor vehicle accident ("MVA") rate and moving violation performance. PSEG Long Island's MVA rate performance improved from 9.37 in 2024 to 8.71 in 2025. PSEG Long Island's three-year average MVA performance stands within the top quartile of similarly sized nationwide industry peers with service territories located in high population density greater metropolitan areas. Additionally, moving violations, including speeding and red-light tickets, which serve as motor vehicle accident safety leading indicators, improved year-over-year from 2024 to 2025 by approximately 14%, after adjusting for the fact that Suffolk County ceased their red-light camera program in December 2024. PSEG Long Island continues to administer and expand its driver safety training programs and utilization of technology to ensure consistently safe driver practices.

- In 2025, PSEG Long Island implemented a new "Good Catch" program, including a review of Near Misses and Stop-the-Job reporting. This resulted in thirty Good Catches reported, a significant increase from prior years. These Good Catches are now being recorded and analyzed in PSEG Long Island's SIMS AVA safety reporting system.

- LIPA's oversight for implementation of the 2025 Electric Safety Standards program included meeting with both the New York State Department of Public Service ("DPS") and PSEG Long Island to review current practices and compliance. The annual report titled: "2025 Stray Voltage Testing and Facility Inspection Program" was filed on February 13, 2026, with the NYS DPS detailing the results for the 2025 program.

"Review no less than every three years the policies, procedures, and practices of its service provider related to: o Complying with applicable health and safety laws and regulations concerning its employees, contractors, and the public; o Maintaining appropriate safety procedures, programs, and training for employees and contractors based on their responsibilities and duties; o Reporting incidents involving employees and the public promptly, investigating the cause of such incidents, and taking corrective action."

- In 2024, LIPA hired an independent third-party consultant to conduct the fourth Triennial Safety Assessment of PSEG Long Island. The scope of work included the review of items from previously conducted Safety Assessments to ensure that corrective actions associated with previous recommendations were properly implemented. The consultant also performed onsite field observations of PSEG Long Island's work practices and safety management processes, including a comparison to industry best practices.

- The final report was issued in October 2024. The report rendered an overall positive opinion and concluded that "PSEG Long Island's management personnel views safety as not just a priority but a value." The recommendations addressed a broad array of safety areas that when successfully completed would serve "to enhance PSEG Long Island's already extensive safety programs."

- The recommendations contained in the final report were consolidated in the 2024 Triennial Safety performance metric (T&D-52) that delineated the deliverable steps and timing of corrective actions. LIPA and PSEG Long Island met at the close of 2024 to formally review PSEG Long Island's comprehensive year-end report that highlighted its progress to date. PSEG Long Island's corrective actions were found to be responsive and timely, resulting in them successfully meeting the metric for 2024. PSEG Long Island continued to implement the remaining recommendations in the 2024 final safety report that had longer implementation timetables. The Parties met quarterly in 2025 to review the progress on these remaining items, and all were found by LIPA to be successfully completed and fully implemented by the end of the third quarter of 2025.

- The next Triennial Safety Assessment of PSEG Long Island is scheduled to commence in 2027. LIPA will develop a scope of work and select an independent third-party consultant through a competitive bid process to conduct the assessment.

Enterprise Risk Management Discussion

The Board has adopted a policy on Enterprise Risk Management ("ERM"). Enterprise risks are brought to the Board's attention throughout the year. There is one risk related to this Policy; "Employees and contractors not following procedures, equipment failures, and a lack of adequate training could result in injury/death to employees, contractors and/or member(s) of the public."

This is rated as a high-level risk and is identified as one of PSEG Long Island's top risks. To mitigate this risk, PSEG Long Island's safety program fosters a high level of safety awareness among its employees and contractors. PSEG Long Island verifies contractor safety records, reviews, authorizes contractor safety plans prior to commencement of work, and conducts required training for employees, contractors, and supervisors. Attendance is tracked and monitored at these training sessions. Additionally, both the contractor and PSEG Long Island conduct post-incident investigations to determine the cause of the incident and mitigate against future recurrence. The Safety Program also includes contractor roundtables with PSEG Long Island staff to ensure adherence to the policies and procedures and identifies additional protocols for integration into these sessions. Equipment has been installed in company vehicles to record driving data to help reduce motor vehicle incidences.

PSEG Long Island has made considerable progress in reducing the OSHA Recordable Incidence Rate and OSHA Days Away Rate and is within top decile in comparison to their peers. There has also been progress in reducing the MVA rate. As mentioned above, the SIIR metric was introduced in 2022. To date, PSEG Long Island has missed this metric but did see significant improvement from 2024 to 2025. LIPA and PSEG Long Island are collaborating to reduce these occurrences via enhanced focus on safety training and messaging for both employees and contractors. PSEG Long Island contractor selection entails a thorough review of the company's safety culture, practices, and record, with those contractors having substandard safety marks excluded from potential selection. While LIPA recognizes there has been improvement in PSEG Long Island's safety processes and procedures, PSEG Long Island must continue to strive for improved performance in this area with the goal of not incurring any serious safety incidents among employees or contractors.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and proposes no changes at this time.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form attached hereto.

Attachment

Exhibit "A" Resolution

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON SAFETY

WHEREAS, the Board Policy on Safety (the "Policy") was originally approved by the Board of Trustees (the "Board") Resolution No. 1739, dated September 27, 2017; and

WHEREAS, the last annual report to the Board was presented in March 2025; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board.

Dated: March 25, 2026

Briefing on Board Policy on Information Technology and Cyber Security

Presented by: Greg Flay, Chief Information Officer
Prepared for: LIPA Board of Trustees

December 17, 2025

Discussion Topics

- Board Policy Objectives
- Key Information Technology Projects

Board Policy Objectives

Information Technology Board Policy Objectives

Policy Component	Metric/Initiative
Invest in information technology that supports the **efficiency of business operations, promotes innovation, and provides long-term customer value**	• Substantial portfolio of IT projects to advance policy objective • IT-05 and IT-06 Project Performance metrics • IT-03 and IT-10 System Resiliency • IT-07 System Segregation
Deploy **modern grid management technology** and data analytics that enhance grid operations, customer service, utility asset management, and demand management, as measured by a Smart Grid Maturity Model level consistent with industry best practices	• Continue investments to implement and enable the planned expansions of smart grid technologies. • Perform a Smart Grid Maturity Model assessment in 2026
Ensure the **capacity of the information technology organization** to deliver reliable, robust, and resilient systems, as measured by a Capability Maturity Model Integration level of 3 or higher	• Perform regular CMMI assessments • IT-05 and IT-06 Project Performance metrics • Updated IT-06 performance metric which incentivizes on-time, on-budget project delivery with full scope and high quality
Regularly upgrade information and operational technology systems to **maintain all systems within their active service life and under general support** from the product vendor	• IT-04 System and Software Lifecycle Management metric

Cybersecurity and Data Privacy Board Policy Objectives

Policy Component	Metric/Initiative
Conduct quarterly internal vulnerability assessments and annual third-party vulnerability assessments and penetration testing of all information and operational technology systems and promptly mitigate vulnerabilities	• Monthly internal vulnerability assessments • Continuous cybersecurity posture monitoring via third-party • Annual penetration testing
Maintain a level of 3 or higher on the NIST Cybersecurity Framework, as evaluated annually through an independent assessment	• Annual assessments on NIST CSF • Next PSEGLI assessment scheduled for January 2026
Communicate how customer information is collected, used, and disclosed and ensure that, if confidential customer information is shared with a third-party for a business purpose, the third-party has robust information security practices	• FedRAMP and SOC-2 attestations • Third-party risk management program

Key Information Technology Projects

Information Technology Board Policy – Key IT Projects

Project	Purpose and Customer Benefits	Status and Plans
Systems Separation	**Separating all PSEG Long Island IT Systems serving LIPA from PSEG New Jersey systems.** ➢ Support efficient business operations ➢ Enhance grid operations ➢ Provide long-term customer value	• 98% complete. The last project is scheduled for completion in Dec 2025.
ADMS Network Model and Roadmap	**Builds on the Distribution SCADA platform, which went live in March 2020, and will develop a plan for the implementation of more advanced ADMS modules, such as FLISR.** ➢ Enhance grid operations ➢ Support efficient business operations ➢ Minimize operating costs ➢ Promote innovation	• Originally planned to start in Mar 2025 • Roadmap vendor has been selected and is currently onboarding • Will encompass people, process, technology, and facilities
CIS Replacement	**Replacement of 1970's-era mainframe customer system with a modern customer platform** ➢ Support efficient business operations ➢ Minimize operating costs ➢ Enhance grid operations ➢ Provide long-term customer value	• Sourcing vendor selected • Currently developing project scope • Platform and implementation partner selection in 2026

Information Technology Board Policy – Key IT Projects

Project	Purpose and Customer Benefits	Status and Plans
GRC (Governance, Risk, and Compliance) Tool Deployment	**Manage and automate GRC-related data and processes for Cyber Security, Business Continuity, and Disaster Recovery** ➢ Support efficient business operations ➢ Minimize operating costs ➢ Manage IT/OT system vulnerabilities ➢ Promptly mitigate vulnerabilities ➢ Maintain NIST CSF Level 3 ➢ Provide long-term customer value	• Delays due to onboarding resources and VDI technical issues. • In-service date has been moved from Dec 2025 to Feb 2026. • Scope and intended usage of BC/DR implementation needs to be better defined.
Standardized Data Access Platform	**Improve access to PSEG Long Island financial and operational data** ➢ Support efficient business operations ➢ Minimize operating costs ➢ Promote innovation	• Implemented Starburst technology to allow for direct LIPA access to the PSEGLI data lake • Implementing joint LIPA / PSEG-LI executive committee to review and prioritize data access and analytics requests to improve alignment

Information Technology Board Policy – Key IT Projects

Project	Purpose and Customer Benefits	Status and Plans
Customer Insights and Home Energy Management	**Consolidate home energy management portals to a single vendor and enhance the functionality of the remaining portal** ➢ Support efficient business operations ➢ Minimize operating costs ➢ Promote innovation	• Complete
CG Concentrator Replacement	**The new concentrators mitigate the risks related to smart device growth, product obsolescence, and cybersecurity risks** ➢ Support efficient business operations ➢ Minimize operating costs ➢ Enhance grid operations	• Complete
JMUX Replacement	**Implement a new technology platform to replace the nearing end-of-life network communication platform for critical T&D and NERC applications** ➢ Enhance grid operations ➢ Maintain vendor-supported systems	• Equipment vendor selection in Q4 2024 • Deployment 2025-2027
EMS Upgrade	**Upgrade the existing SCADA/EMS system** ➢ Enhance grid operations ➢ Maintain vendor-supported systems	• Delayed due to vendor resource availability. Currently planned for completion in April 2026.

Questions?

Greg Flay,
Chief Information Officer

lipower.org

FOR CONSIDERATION
December 17, 2025

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Consideration of Approval of the Annual Report on the Board Policy on Information Technology and Cyber Security

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Information Technology and Cyber Security (the "Policy") for the period since the last annual review; and (ii) finding that LIPA has substantially complied with the Policy, which resolution is attached hereto as **Exhibit "A."**

Discussion

In December 2019, the Board adopted the Information and Physical Security Policy. The Policy delineated the Board's expectations and direction for information and physical security in accordance with public safety, operational, reputational, and compliance requirements. It established a reporting requirement to the Board on compliance with the key provisions of the Policy. In 2021, the prior policy was supplanted by the Information Technology and Cybersecurity Policy. The Policy provides that LIPA's "vision for information technology and cyber security is to use technology to enhance and simplify the customer experience, improve reliability, and minimize operating costs while ensuring robust, secure technology platforms that provide operational stability and protect customer, employee, and third-party data from unauthorized access or disruption. LIPA supports data privacy by transparently communicating how customer information is collected, used, and disclosed." The Board completed the last annual review of the Policy in December 2022.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the Policy since the last review.

Compliance with each element of the Policy is discussed in detail below.

1. "Invest in information technology that supports the efficiency of business operations, promotes innovation, and provides long-term customer value."
   - LIPA funded a substantial portfolio of IT projects in 2025, which advances the goals of increasing efficiency, promoting innovation, and providing long-term customer value. The

portfolio covers a range of projects, including enhancements to existing systems and implementation of new technologies, with the larger projects covered by the 2024 IT metrics. Some noteworthy IT projects are discussed below.

- System Separation: In the amended OSA between LIPA and PSEG Long Island, effective April 1, 2022, the parties agreed that it would be beneficial for all IT Systems serving LIPA to be separated and distinct from the systems, data, reports, and information of PSEG Long Island and its affiliates. The board-approved plan organizes the systems into four logical "bundles" for phased implementation. Work began on the first bundle in the last quarter of 2022 but has experienced significant schedule delays. However, the 2025 IT-07 System Separation metric is on schedule to be met. All systems are targeted to be separated by the end of 2025, in accordance with the OSA, and LIPA will continue to engage in oversight actively.
- Standardized Data Access Platform (SDAP): The SDAP project was initiated to implement the Board recommendation to improve LIPA and Department of Public Service ("DPS") access to PSEG Long Island financial and operational data through a Standardized Data Access Platform comprised of an enterprise-wide data warehouse, a broader data lake, and tools to support reporting and analytics. This past year has seen the implementation of the Starburst interface, which allows LIPA staff more direct access to the data lake than was previously available.
- CIS Replacement: PSEG Long Island has been using their existing customer information system (CIS) platform since the mid-1970's. While the underlying hardware and operating systems have been maintained at current levels, the application software is unable to meet current billing and customer needs, necessitating the use of ancillary systems like GridX for billing. The planning phase of the project has begun with the selection of a sourcing partner, who will in turn assist PSEG Long Island in the development of requirements and RFPs for the CIS product to be implemented as well as the system integration partner.
- Governance, Risk, and Compliance (GRC) Tool Deployment: This project will select and implement a GRC tool to manage and automate GRC-related data and processes for the critical areas of Cyber Security, Business Continuity, and Disaster Recovery. The tool will provide efficiencies through automation, support regulatory compliance, and enable the organization to mature risk management capabilities through data and process enhancements. The project was initiated in response to the 2023 NIST Cybersecurity Framework (CSF) assessment recommendation. Phase 0 will be completed in 2024, and it will provide vendor selection and a project plan for implementation in 2025.

- LIPA has also established annually recurring IT System Resiliency metrics (IT-03 and IT-10), which aim to minimize the probability and impact of system failures through well-designed, robust, and thoroughly exercised Disaster Recovery Plans (DRPs) and Business Continuity Plans (BCPs) for critical systems and processes. The IT-03 and IT-10 metrics were not met in 2022, 2023, or 2024. LIPA engaged a third-party consultant in 2024 to conduct a holistic assessment of the resiliency program and develop recommendations on

the path forward, including action plans with prioritized and achievable improvements. The assessment report was provided to PSEG Long Island in September 2024. The IT-03 metric was not properly funded for execution in 2025 and will not be met. The IT-10 metric was funded for 2025 and is expected to be met for 2025. Work on both efforts will continue into 2026.

2. "Deploy modern grid management technology and data analytics that enhance grid operations, customer service, utility asset management, and demand management, as measured by a Smart Grid Maturity Model level consistent with industry best practices (i.e., top 25% of utilities)."
   - The Smart Grid Maturity Model (SGMM) is a business tool stewarded by the Software Engineering Institute at Carnegie Mellon University. The model provides a framework for understanding the current extent of smart grid deployment and capability within an electric utility, a context for establishing strategic objectives and implementing plans that support grid modernization, and a means to evaluate progress over time toward those objectives. In 2022, LIPA engaged a consultant to conduct a smart grid maturity assessment using the Department of Energy's Next Generation Distribution System Platform (DSPx) reference from the Modern Distribution Grid Project, which is similar in content and format to the SGMM. The DSPx assessment recommended numerous areas for technology investment, such as Advanced Metering Infrastructure (AMI), Distributed Energy Resources Management Systems (DERMS), and Advanced Distribution Management System (ADMS). Several initiatives have since been undertaken, including AMI, DERMS, and the ADMS Roadmap.

3. "Ensure the capacity of the information technology organization to deliver reliable, robust, and resilient systems, as measured by a Capability Maturity Model Integration level of 3 or higher."
   - LIPA has established an Organizational Maturity metric to improve IT capability and performance and achieve Capability Maturity Model Integration (CMMI) Maturity Level 3. LIPA conducted a CMMI assessment in 2025 and determined that PSEG Long Island was operating at Level 3, as required.
   - LIPA has established the Project Performance metrics (IT-05 and IT-06) to improve project performance across the portfolio. In 2025, IT-05 is tracking 12 continuing projects, of which 8 are complete. Meanwhile, IT-06 is tracking 8 new projects for 2025, none of which have been completed. The use of metric exceptions to extend due dates for identified deliverables is extensive, which is why LIPA has developed an enhanced IT-06 metric for 2026. This metric provides an incentive for projects delivered on time, on budget, with full scope, and of high quality.

4. "Regularly upgrade information and operational technology systems to maintain all systems within their active service life and under general support from the product vendor."
   - Metric IT-04, System and Software Lifecycle Management was established to ensure all IT and OT assets managed by PSEG Long Island on behalf of LIPA, including but not limited to computers, communications equipment, networking equipment, hardware,

software, and storage systems, are within their active service life and under general support from the product vendor Pursuant to the metric, PSEG Long Island developed an Asset Inventory and a Two-Year Refresh Plan in 2022, which are now refreshed annually. The updated 2024-2025 Refresh Plan specifies a number of refresh projects to be conducted in 2024 to advance the objective of replacing or upgrading all end-of-life assets and was approved by LIPA. Execution of the plan is in progress.

- In 2024, the Life Cycle Replacement projects include some critical upgrades of operational technology systems, including:
    - EMS Upgrade: This project was initiated in 2024 to upgrade the SCADA/EMS system, add a test/development environment at the Alternate Control Center (ACC), and develop a solution for compliance with the Ambient Adjusted Rating regulatory requirement (FERC 841 Order). The project is currently scheduled to deploy the upgraded EMS (Energy Management System) at the current Transmission Control Center (TCC) and the ACC in May 2026.
    - JMUX Replacement: This multi-year project is for the evaluation, design, and implementation of a new technology platform to replace the nearing end-of-life Multiplexer, which provides the network communication platform for critical T&D and NERC applications. A Systems Integrator (SI) was selected in 2023 and conducted an RFP process for the evaluation and selection of a new equipment vendor, as well as design activities to assess the structural work required to accommodate the new equipment. The equipment vendor was selected in Q4 2024, with the implementation to continue through 2027.
    - CG Concentrator Project: The data Concentrators are critical networking devices that manage the communications and controls of over 3,000 SCADA devices across the PSEG Long Island service territory. The existing Concentrators had limited expansion capability and had come to the end of life for continued product support. In 2023, the project's first phase was completed with the selection of new Concentrators that provide the capacity needed to sustain the SCADA device growth as more Smart connected devices are connected to the grid, with enhanced cybersecurity features. Deployment was completed in 2025.
    - DER to DSCADA Communications Upgrade: This project upgrades the SCADA communications network from Distributed Energy Resources (DER) to the DSCADA/EMS systems and increases capacity, which is necessary to allow for new DER to be connected to the EMS and DSCADA systems at the currently projected growth rates. Deployment completed in 2025.

5. "Conduct quarterly internal vulnerability assessments and annual third-party vulnerability assessments and penetration testing of all information and operational technology systems and promptly mitigate vulnerabilities"

PSEG Long Island Cybersecurity

- Starting in late 2023, PSEG Long Island engaged an external vendor to conduct representative assessments of internal, external, D-SCADA, and mobile/web application attack surfaces. The results of these assessments were finalized in the summer of 2024. PSEG Long Island has reported that it has remediated all external surface vulnerabilities and the highest-severity internal vulnerabilities. Remediation is ongoing for the remaining vulnerabilities.
- As per the DPS Management Audit recommendation, LIPA is also conducting independent penetration testing and vulnerability assessment of the PSEG Long Island system. The vulnerability assessment and penetration testing for PSEG Long Island are scheduled to kick off in December 2025. The final assessment report is due in April 2026, and the final remediation report is expected in June 2026.
- Ransomware can severely impact business processes and leave organizations without the data to operate or deliver mission-critical services. The organizations affected often experience reputational damage, significant remediation costs, and interruptions in their ability to provide core services. In 2024, LIPA established the Ransomware Readiness and Response metric (IT-09). The metric ensures that any suspected or confirmed ransomware incidents are responded to consistently, controlled, and effectively. An independent third-party consultant reviewed and assessed the adequacy of PSEG Long Island's response to a ransomware incident. The assessment report was provided to PSEG Long Island in June 2024. The assessment report provided observations, identified gaps, and made recommendations. The recommendations are organized into an actionable roadmap based on best practices for developing, implementing, and improving PSEG Long Island's ransomware readiness and response plans. PSEG Long Island developed and submitted a PIP to LIPA for approval in 2025, aiming to fully implement the ransomware readiness and response roadmap, which aligns with the recommended timelines outlined in the assessment report. LIPA has engaged the services of an independent consultant to review the gap closure artifacts and deliverables, as well as the gap closure activities, and observe the ransomware response and recovery plan exercise, as required by the IT-09 performance metric. Gap closure is expected in 2026.

LIPA Cybersecurity

- In 2025, LIPA completed all information technology systems' third-party vulnerability assessments and penetration testing. The assessment vendor was engaged in April 2025, and the final assessment report was completed in August 2025. By mid-September 2025, LIPA had remediated all the vulnerabilities identified.
- LIPA's vulnerability management team meets weekly and reviews vulnerabilities identified in systems managed by LIPA using a real-time vulnerability management/reporting tool. The team creates the remediation plan for newly identified vulnerabilities based on their criticality and reviews the remediation status of previously identified vulnerabilities. LIPA has also implemented tools to provide 24x7 monitoring and notification of any new vulnerabilities identified. The vulnerability reporting tool sends daily alerts to the Cybersecurity team. Vulnerability management is reviewed monthly by the IT/cyber leadership.

6. "Maintain a level of 3 or higher on the NIST Cybersecurity Framework, as evaluated annually through an independent assessment."
   - LIPA and PSEG Long Island have adopted the NIST Cybersecurity Framework (CSF) to improve cybersecurity programs. The Framework uses business drivers to guide cybersecurity activities. It considers cybersecurity risks as part of the risk management processes, including guidance on People, Processes, and Technology to implement defense in depth for the enterprise.
   - LIPA established a cybersecurity default metric for PSEG Long Island under the reformed PSEG Long Island contract, effective April 1, 2022, to achieve and maintain NIST CSF Tier 3. The reformed contract gives LIPA the right to terminate the contract should PSEG Long Island fail to maintain compliance, providing a strong improvement incentive. LIPA has hired a third-party evaluator to independently review PSEG Long Island's cyber readiness relative to the metric. The assessment work was completed in the First quarter of 2023, and the Final Assessment and Recommendations report was provided to PSEG Long Island in May 2023. A review by an independent consultant started in Q3 2024 to determine the progress PSEG Long Island has made to remediate the findings of the 2023 report. The final assessment report, delivered in December 2024, determined that PSEG-LI's cybersecurity program is predominantly operating at Tier 3 and provided recommendations for further strengthening cybersecurity controls. A follow-up NIST CSF assessment is planned for Q1 2026.
   - An independent assessment of LIPA's cyber security posture using the NIST CSF was completed in Q4 2023. In Q1 2024, a work plan was developed to manage and track the implementation of the report's recommendations. LIPA completed the work identified in the work plan in July 2025.

7. "Communicate how customer information is collected, used, and disclosed and ensure that, if confidential customer information is shared with a third party for a business purpose, the third party has robust information security practices."
   - PSEG Long Island collects customers' information to provide electric service. The policy posted on the LIPA website describes what personal information is collected, when it is collected, how it is used, how it is protected, and under what circumstances that information may be shared with a third party. The policy has also been posted on the PSEG Long Island website.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management ("ERM"). Enterprise risks are brought to the Board's attention throughout the year. There are two high-priority risks related to the policy for both LIPA and PSEG Long Island. For both LIPA and PSEG Long Island, there is a risk of a cyber event resulting from unauthorized access to LIPA-managed systems that leads to material financial losses, impacts on LIPA's day-to-day operations, or damage to the organization's reputation. For PSEG Long Island, there is a risk of a major outage or performance failure of a critical operating technology or business system, resulting in extended disruption to operations or business processes, damage to systems, and/or loss of data. Also, the breach of

personally identifiable information (PII) could result in fraud, financial impact, and negative public perception.

LIPA's Department of Innovation and Information Technology mitigates these risks with a comprehensive risk management strategy and concurrent oversight of PSEG Long Island's IT department. The strategy includes several mitigation actions outlined in this memo, including the completion of annual penetration testing with remediation plans developed for identified vulnerabilities, the adoption of the NIST Cybersecurity Framework with the goal of maintaining a level 3 or higher assessment, and the implementation of a Cybersecurity Default Metric.

Considering the extensive efforts detailed in this Policy of both LIPA's Department of Innovation and Information Technology and PSEG Long Island's IT department, we believe the cyber and PII risks are being adequately managed.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and recommends no change at this time.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON INFORMATION TECHNOLOGY AND CYBER SECURITY

WHEREAS, the Board Policy on Information Technology and Cyber Security (the "Policy") was approved by the Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") in November 2021; and

WHEREAS, the Oversight and Clean Energy Committee (the "Committee") of the Board has conducted the annual review of the Policy and has recommended to the Board that the Policy has been substantially complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has substantially complied with the Policy and approves the annual report to the Board.

Dated: December 17, 2025

FOR CONSIDERATION
February 15, 2023

TO: The Board of Trustees

FROM: Thomas Falcone

REQUEST: Consideration of Approval of the Annual Report and Amendments on the Board's Policy on Strategic Planning and Oversight

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Strategic Planning and Oversight (the "Policy"); (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **Exhibit "A"**.

Background

LIPA utilizes contracts with service providers to provide transmission and distribution operations services, fuel and power procurement, and power supply resources. Under the LIPA Reform Act and the Second Amended and Restated Operations Services Agreement (the "OSA"), LIPA has oversight rights and certain responsibilities with respect to those contracts, the operation and maintenance of the Long Island electric grid, and the generation assets under contract to LIPA.

In March 2018, the Board adopted the Policy with the purpose of establishing the Board's expectations for oversight by LIPA of the "service providers in a systematic manner that meets the needs and protects the interests of LIPA's customers". In January 2019, the Board approved amendments to the Policy related to LIPA's direct operations. Thereafter in July 2020 and September 2021, the Board approved amendments to the Policy to, among other things, better define the roles of the Board and management in LIPA's strategic planning activities.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy since the last annual review. The Policy requires "the CEO or his or her designee report annually to the Governance Committee of the Board of Trustees on compliance with the key provisions of this Policy. LIPA's CEO will consult with and report to the Board on: the objectives of LIPA's annual Work Plan for the coming year and the accomplishments of the prior year Work Plan, including Oversight activities; the status of the five-year Strategic Roadmaps; the Oversight Framework implemented by LIPA's management team; and the sufficiency of LIPA staff and resources to achieve LIPA's Purpose, Vision, Board Policies, and Oversight Objectives."

Work Plan and Performance Metric Objectives and Accomplishments:

- The LIPA annual Work Plan and PSEG Long Island Performance Metrics deliver the yearly translation of the Board's vision and strategic direction into specific activities, projects, and budgets.
    - LIPA staff completed 20 projects from the 2022 Work Plan and extensive deliverables from 23 projects. The progress on multi-year projects continues in the 2023 Work Plan. One project from the 2022 Work Plan was deferred and ultimately canceled due to the lessor value of the project as compared to other higher priority efforts that arose during the year.
    - LIPA staff reported to the Board quarterly on PSEG Long Island's progress against the 2022 Performance Metrics. Staff will provide an Annual Report on PSEG Long Island's performance at the conclusion of our evaluation of the 2022 Performance Metrics.
    - The 2023 Work Plan includes 57 projects that align with the Board's policies and corporate objectives.
    - For 2023, the Board adopted 93 PSEG Long Island Performance Metrics in December 2022, distributed across all the management services provided by PSEG Long Island to LIPA and its customers.

The Status of the Five-Year Strategic Roadmaps:

- The Board directed LIPA staff to craft Five-Year Strategic Roadmaps in 2021 and this requirement was incorporated into the revised OSA with PSEG Long Island, which became effective in April 2022.
- In 2022, LIPA, in conjunction with PSEG Long Island, commenced work on developing 5-Year Roadmaps to deliver on the Board's expectations. Activities included reviewing the Board policies, identifying gaps and potential actions through consultation with LIPA and PSEG Long Island management and staff, and prioritizing and sequencing initiatives considering the risks and benefits.
- 5-Year Roadmaps will be reviewed by the Board for Customer Experience, Transmission and Distribution Operations, Information Technology and Cybersecurity, Performance Management, and Finance in February 2023, while plans for Business Services, Power Supply, and Clean Energy will come before the Board in late 2023.
- While the Roadmaps provide a five-year outlook, in adherence with the policy, the Board will receive updates on a triennial basis.
- The priorities outlined in the Five-Year Strategic Roadmaps are translated annually into Work Plans, Performance Metrics, and Budgets.

Performance Management Framework:

- The Performance Management Framework provides transparency and accountability to the Board and customers for the accomplishment of the Board's strategic objectives and the funds budgeted each year. The Performance Management Framework includes:
    - **5-Year Roadmaps:** As part of the Strategic Planning process, starting from Board Policies, the 5-Year Roadmaps identify the end states and gaps to current

capabilities and prioritizes those gaps to meet the expectations of the Board and service to our customers.

- **PSEG Long Island Annual Performance Metrics:** LIPA develops Performance Metrics for PSEG Long Island each year. These standards create quantitative and project oriented metrics that advance the 5-Year Roadmaps and the Board's policy objectives. LIPA staff independently verifies and validates ("IV&V") PSEG Long Islands performance under the OSA, including on the Performance Metrics.
- **LIPA's Annual Work Plan:** LIPA develops and manages projects that it directly executes to advance the 5-Year Roadmaps and the Board's policy objectives.
- **Performance Reports:** LIPA staff reports to the Board quarterly and annually on PSEG Long Island's performance under the Performance Metrics and on other items of significant concern to the Board, such as Board-adopted Recommendations, reports on compliance with each Board Policy, and budget. LIPA Staff also reports annually on accomplishments of the staff Work Plan.

In 2022, LIPA established the Strategic Performance Management Office ("SPMO") to centrally organize its standards for IV&V as well as to support LIPA staff in project management and cross functional project collaboration. SPMO organizes reporting to the Board and LIPA management on the Work Plan and PSEG Long Island Performance Metrics and provides assistance to LIPA departments in defining and executing project plans, monitoring work execution, and reporting. LIPA regularly conducts performance review meetings both with internal staff and with PSEG Long Island to promote accountability and drive accurate results for progress reported at regular frequencies, such as monthly, quarterly, and annually.

The Sufficiency of LIPA Staff and Resources:

- LIPA contracts for a substantial portion of the services needed to accomplish its Vision and Purpose and relies on internal staffing and consulting support to manage the performance of vendors and its own responsibilities.
- The approved 2023 LIPA Budget includes sufficient funding for the positions and consulting resources management believes is necessary at the present time to accomplish the Purpose and strategic direction defined by the Board in policy. Management regularly reviews the sufficiency of staffing and consulting resources and makes adjustments, as necessary. The revised OSA resulted in a significant increase in the work load of the LIPA staff, which was accounted for in the 2023 Budget proposal.

Annual Review of the Policy

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in various meetings to develop and draft amendments to the Policy. The draft amendments to the Policy have been shared with the entire Board. The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit "B"**.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution
Exhibit "B" Policy on Strategic Planning and Performance Management

Exhibit "A"

RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON STRATEGIC PLANNING AND OVERSIGHT

WHEREAS, the Board Policy on Strategic Planning and Oversight (the "Policy") was most recently reviewed by the Board of Trustees on September 22, 2021; and

WHEREAS, the Board has received the annual Staff report on compliance with the Policy; and

WHEREAS, the Board has reviewed the Policy and approves the changes to the Policy as recommended by Staff finding that the amendments are due proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the adoption of the Policy, approves the annual report to the Board, and approves updates to the Policy, as recommended herein.

Dated: February 15, 2023

Exhibit "B"

Board Policy:	**Strategic Planning and Performance Management**
Policy Type:	**Strategic Direction**
Monitored by:	**Board of Trustees**
Board Resolution:	**#1409, approved March 29, 2018,** **#1461, amended January 23, 2019** **#1547, amended July 22, 2020** **#1668, amended September 22, 2021** **[#xxxx, amended February 15, 2023]**

LIPA's vision for strategic planning and performance management is to achieve the strategic objectives established by the Board in its policies and to provide transparency and accountability to the Board and customers for the realization of the Board's strategic objectives and the funds budgeted each year.

LIPA will achieve its vision by directing the Chief Executive Officer to undertake: (i) effective methods of translating the Board's strategic policy objectives into multi-year plans, annual work plans, performance metrics, budgets, and recommendations[1] for the Board's review and approval, and (ii) a transparent system of performance reporting to the Board and public relative to the policies, plans, metrics, budgets, and recommendations adopted by the Board.

Strategic and Annual Planning

The Chief Executive Officer will prepare and submit to the Board for review and approval the following to advance the Board's policy objectives across various time horizons:

- **Five-year Long-Range Plans:** LIPA's Chief Executive Officer, in consultation with its service provider(s), will on a triennial basis develop five-year roadmaps for each key business area to advance the Board's strategic objectives. The Long-Range Plans will evaluate the current state of the business area, articulate an end-state vision to be achieved within five years, and identify the projects necessary to close the gap. Each roadmap will include:

    - Prioritized list of projects with associated business rationale and benefits
    - Schedule for and sequencing of projects
    - Dependency on or interaction with projects initiated by other business areas
    - Budget requirements for project implementation and operations

The schedule below defines the timeline for the submission to the Board of the initial Long-Range Plans for each business area:

    - Transmission and distribution ("T&D"), information technology, customer experience, finance, and performance management no later than March 31, 2023.
    - Business services and power supply and clean energy programs no later than March 31, 2024.

- **LIPA's Annual Work Plan, Performance Metrics, and Budgets:** LIPA's Chief Executive Officer will translate the Board's strategic policy objectives and Five-Year Long-Range Plans into annual work plans,

[1] Board recommendations as defined in the Second Amended and Restated Operations Services Agreement.

performance metrics, and budgets for the Board's review and approval. The annual work plan defines the activities LIPA staff will directly undertake for the year, while the performance metrics define the objectives that will determine PSEG Long Island's Variable Compensation for the year. The work plan and performance metrics are designed to be objectively verifiable and reasonably achievable levels of performance. The funds to achieve this level of performance are also budgeted, tying realistic plans and budgets to measurable outcomes each year. The oversight activities of LIPA staff may also result in Board recommendations to improve the operations of business areas managed by service provider(s).

Performance Management Reporting

Performance management reporting provides transparency and accountability to the Board and customers for the accomplishment of the Board's strategic objectives and the funds budgeted each year. The Chief Executive Officer will prepare a written report to the Board and make it available on LIPA's website for each of the following:

- **Policy Reports:** Annual reports on LIPA's performance as compared to the key objectives of each Board strategic direction and operating policy.
- **Work Plan Reports:** Annual reports on the projects and activities LIPA staff will directly undertake to advance the Board's policy objectives and accomplishments as compared to the prior year's work plan.
- **Performance Metrics and Board Recommendation Reports:** LIPA's business model involves significant outsourcing to service provider(s), which places heightened importance on vendor performance in advancing the Board's policy objectives. Therefore, the Chief Executive Officer will separately provide quarterly and annual reports on PSEG Long Island's performance as compared to the Board-approved performance metrics and recommendations.
- **Budget Reports:** Quarterly and annual budget reports comparing actual financial results to the Board-approved financial plan, including significant variances and their causes, separately detailed between LIPA and service provider-managed budget elements.

The Chief Executive Officer is responsible for informing the Board in a timely manner of developments that in the Chief Executive Officer's reasonable judgment are (i) unique or significant operational risks to LIPA; (ii) could significantly impact LIPA's customers, reputation, or community relations; or (iii) materially compromise the ability to achieve the policies and strategic objectives established by the Board.

FOR CONSIDERATION
March 29, 2023

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of Approval of the Annual Report and Amendments to the Board Policy on Diversity, Equity, and Inclusion

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution (i) approving the annual report on the Board Policy on Diversity, Equity, and Inclusion (the "Policy") for the period since the last annual review; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **"Exhibit A"**.

Background

In June 2020, the Board adopted the Policy. The last annual report on the Policy was in August 2021. The 2021 Policy provides that LIPA is "committed to a diverse, equitable, and inclusive environment that respects and values employees, customers, and stakeholders for the variety of their backgrounds and personal characteristics, including, but not limited to, ethnicity, gender, gender identity, marital status, national origin, physical ability, political affiliation, race, religion, sexual orientation, veteran status, life experience, talent, thinking style, or any other characteristic protected by law."

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy since the last annual review. Compliance with each element of the Policy is set forth below.

The Policy provides that LIPA "will foster and promote a diverse, equitable, and inclusive workplace and society by:"

"attracting, retaining, and developing a diverse workforce representative of the electric customers we serve."

- LIPA's Human Resources department's recruiting efforts include posting job openings on diversity-focused job boards including the New York State Department of Labor, the Professional Diversity Network, the National Forum for Black Public Administrators, and other sites as appropriate. Through the Professional Diversity Network, LIPA's job are posted with the International Association of Women (IAW), which is one of the largest, most recognized networking organizations of professional women in the country, spanning more than 200 industries and professions; and other online employee recruitment platforms that leverage affinity groups to identify and recruit experienced and talented women, minorities,

veterans, LGBTQ and disabled persons.

"maintaining a positive, trusting, and inclusive workplace culture, through training and development and by considering these skills in our hiring and promotion practices."

- LIPA's employees have access to LinkedIn Learning, Percipio Learning, and Cornerstone Learning Management System. These programs provide education, training and development courses related to diversity, equity, belonging and inclusion and can be accessed by or assigned to employees as part of their professional development.

- LIPA's monthly staff meetings include a diversity, equity, inclusion and belonging highlight to embed these in our culture and reinforce our commitment to all employees. In 2022, we used many of our all-staff meetings to provide a common language for employees by defining what certain words mean at LIPA and describing the behaviors associate with each word. Words included equity, diversity, inclusion, belonging, and more.

- The employee newsletter reinforced the Diversity, Equity, and Inclusion (DE&I) message presented at the staff meeting.

"utilizing annual employee engagement surveys and related initiatives to measure and advance our diversity, equity, and inclusion practices."

- Each year, LIPA conducts an Employee Engagement Survey. These surveys are designed to measure and assess how motivated and engaged our employees are to perform their best at work each day.

- LIPA's 2022 engagement remained among the top ten percent of companies with an overall score seven points above industry average benchmarks and one point above top company benchmarks (i.e. top 10%), although our score did drop from 85 to 79[1] between November/December 2020 and March/April 2022.

- LIPA's engagement survey includes questions specifically related to DE&I. Employees are asked whether:
    - This organization encourages a climate in which diverse perspectives are valued.
    - I am encouraged to treat others with dignity and respect.
    - All employees are given a fair opportunity to succeed in this organization.
    - This organization values its employees.
    - People of all cultures, backgrounds, and identities are respected and valued at LIPA.
    - Diversity activities and learning opportunities offered by my organization have a positive impact on our culture.
    - My organization's leadership demonstrates a commitment to and support of diversity and inclusion.
    - I can bring my authentic self to work.

- DE&I-related questions had an average score of 75, down from a previous average of 83. This is consistent with the overall score results.

- Results of the engagement survey are shared with management and LIPA Staff and management identifies opportunities for improvement.

[1] Scores 70 and above are generally considered strong scores.

"overseeing the diversity, equity, and inclusion initiatives of LIPA's service providers."

- PSEG Long Island conducted multiple DE&I events for their employees. These events included:
    - Cultural Awareness and Diversity Appreciation programs such as Diwali Cultural Celebration, Honoring our Veterans event, and Hispanic Heritage month activities.
    - PSEG Long Island encourage and supports employees to join any of their numerous Employee Business Resource Groups (EBRGs). These are voluntary groups of employees that help shape and drive their diverse and inclusive culture. EBRGs help build meaningful relationships through initiatives like community outreach and volunteerism, mentorship, and professional development. In addition, PSEG Long Island's EBRGs serve as a platform to elevate diverse perspectives and help support key business goals and priorities.

"promoting the participation of minority, women-owned, and service-disabled veteran-owned businesses in procurements by LIPA and its service providers, consistent with Article 15-A of the Executive Law."

- The State of New York annually grades each state agency and authority's MWBE procurement efforts. LIPA and its service provider were rated "A+" for 2022.

- PSEG Long Island increased its MWBE spend by 5% and continued to meet its 30% goal.

- The PSEG Long Island Supplier Diversity Team increased training for its procurement staff and provided informative sessions to its prime vendors and contractors. That team also hosted a virtual Supplier Diversity Procurement Fair in May of 2022 promoting a greater presence of MWBEs in our supply chain and procurement activities and attended and participated at several events in person and virtually including MWBE Expos, 2022 MWBE Forum, Competitive Edge Conference.

- PSEG Long Island established a proactive approach to connect MWBEs with internal decision makers and prime contractors.

- LIPA participated and accompanied PSEG Long Island in all outreach events listed above and served on the planning committee for the Competitive Edge Conference.

Additionally, the Policy provides that "in furtherance of the CLCPA and ECL Art 48, LIPA will participate in the community-based planning efforts of the State's Climate Action Council, and create, pursue, and promote opportunities for, and eliminate barriers to, the achievement of environmental and climate justice."

- Throughout 2021 and 2022, the State's Climate Action Council has been at work on the State's Scoping Plan to reach the goals set by the CLCPA, including making major strides toward achieving environmental and climate justice in the transition to a decarbonized economy. LIPA's CEO holds a seat on the Council and LIPA's staff have been participating in State staff working groups developing specific chapters of the Scoping Plan. Upon release of the

Draft Scoping Plan in December 2021, the working groups, which met on a monthly basis, supported the Council's outreach to a broad set of stakeholders and the public through public hearings and acceptance of comments on the Draft Scoping Plan, which lasted through the summer of 2022. In the Fall of 2022, LIPA staff continued to support the Council's efforts by incorporating the learning from public outreach into the final Scoping Plan, which was adopted in December 2022 as required by CLCPA.

- In 2022, LIPA undertook several new initiatives to benefit social and environmental justice goals, including:

    - LIPA undertook a two-phase bill forgiveness program. Low-and-moderate income (LMI) customers received a credit of the entirety of past-due account balances through May 1, 2022, while all customers received up to $2,000 for past-due balances.
    - LIPA announced a $30,000 grant to the Shinnecock Nation to assist income-eligible residents in learning about and applying for our LMI assistance program, which provided bill forgiveness through year-end 2022, as well as a monthly bill credit and eligibility for enhanced energy efficiency and electrification program rebates.
    - LIPA awarded a $200,000 grant to the United Way of Long Island to support transforming their headquarters into a "net zero" building, with $60,000 in annual energy savings that will be reinvested back into its core mission, including training for disadvantaged youth and veterans in clean energy construction.
    - LIPA funded a New York Clean Transportation Prize Award on Long Island at a cost of up to $10 million for innovative projects expected to expand access to clean, electric transportation in historically disadvantaged communities.
    - LIPA created a community college scholarship program to support education and training in careers related to the electric industry for students from disadvantaged communities.

- LIPA engages with its stakeholders through its Community Advisory Board (CAB), among other methods. LIPA's CAB was formed in 2017 to advise LIPA's Chief Executive Officer on issues of importance to the Authority and our Long Island and Rockaways community. The CAB represents a diverse range of perspectives and has 19 members, including experts in energy, education, business, economic development, government, and finance. Members are appointed by LIPA's CEO and participate in quarterly meetings, the last which was held in March 2023, that discuss regional issues, including energy efficiency, climate and green energy goals, and other topics important to members.

- Energy Efficiency and Renewables Advisory Committee: An advisory committee comprised of stakeholders not affiliated with PSEG Long Island or LIPA advise LIPA Staff on clean and renewable energy programs and hold periodic meetings to provide input and recommendations on demand reduction goals, beneficial electrification program goals, and renewable program goals established under applicable laws or various state initiatives.

Annual Review of the Policy

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in

various meetings to develop and draft amendments to the Policy, including renaming the Policy to the Board Policy on Social and Environmental Justice. The draft amendments to the Policy have been shared with the entire Board.

Pursuant to public comments received by the Board at its February 2023 meeting, the working group of Trustees reconvened prior to the March 2023 Board meeting to consider further amendments to the Policy. The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit "B"**. In drafting the final version of the Policy, the Board has considered all public comments made with respect to the proposed amendments to the Policy.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution
Exhibit "B" Board Policy on Social and Environmental Justice

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE BOARD POLICY ON DIVERSITY AND INCLUSION

WHEREAS, the Board Policy on Diversity and Inclusion (the "Policy") was originally approved by the Board of Trustees by Resolution No. 1542, dated June 24, 2020; and

WHEREAS, the Governance, Planning and Personnel Committee (the "Committee") has conducted an annual review of the Policy on February 15, 2023 and recommended that the Board affirm that the Policy has been complied with and that the changes to the Policy recommended herein are due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in **Exhibit "B"** are hereby approved.

Dated: March 29, 2023

Board Policy:	**Social and Environmental Justice**
Policy Type:	**Strategic Direction**
Monitored by:	**Governance, Planning, and Personnel Committee**
Board Resolution:	**#1542, adopted June 24, 2020** **#1662, amended August 11, 2021** **[#xxxx, amended March 29, 2023]**

LIPA's vision for social and environmental justice is to foster a workplace that promotes diversity, equity, and belonging and to promote fairness and equity in the impact of our programs on our community.

LIPA values employees, customers, and stakeholders for the variety of their backgrounds and personal characteristics, including:

- race, ethnicity, national origin, religion, gender, gender identity, sexual orientation, marital status, physical ability, political affiliation, age, veteran status, and any other characteristic protected by law; and
- other characteristics such as talents, thinking styles, and lived experiences.

LIPA will foster and promote a diverse, equitable, and inclusive workplace by:

- modeling and cultivating the organization's values of service, collaboration, and excellence and their related behaviors, which foster an open, positive, and respectful workplace, including by considering these behaviors in our hiring, performance evaluation, and promotion practices;
- attracting, retaining, and developing a diverse workforce representative of the electric customers we serve;
- utilizing annual employee engagement and climate surveys and related initiatives to measure and advance our diversity, equity, and inclusion practices; and
- overseeing the diversity, equity, and inclusion initiatives of LIPA's service providers.

LIPA supports social and environmental justice, namely achieving fairness and equity in the transition to a clean energy future, and believes that all communities are entitled to equal protection of environmental laws and regulations.[1]

In furtherance of social and environmental justice, LIPA will:

- pursue initiatives that promote fairness and equity in the clean energy transition;
- pursue initiatives that promote fairness and equity in the application of environmental laws and regulations; and
- promote the participation of minority, women-owned, and service-disabled veteran-owned businesses in procurements by LIPA and its service providers.

The Chief Executive Officer, or his or her designee, will report annually to the Governance, Planning, and Personnel Committee of the Board of Trustees on the key provisions of this Policy.

[1] See Climate Leadership and Community Protection Act and in Article 48 of the Environmental Justice of the Environmental Conservation Law for more information.

Annual Report on Construction of Transmission and Distribution Projects

Presented by: Billy Raley

November 13, 2024

Discussion Topics

- Board Policy on Construction of T&D Projects
- Policy Compliance & Overall Assessment
- Risk Management

Board Policy on Construction of Transmission and Distribution Projects

It is LIPA's **Board Policy on Construction of Transmission and Distribution Projects** to:

- Make choices for the construction of the transmission and distribution system in a consistent manner that balances cost for all customers with local concerns.
- Conduct public outreach prior to the beginning of construction in accordance with certain principles described in detail in the policy.
- To accommodate local preferences for underground construction in circumstances where system-wide benefits are insufficient to justify the incremental expense by providing mechanisms for local choice and local funding.

Board Policy on Construction of Transmission and Distribution Projects

Proposed Change to **Board Policy on Construction of Transmission and Distribution Projects**:

- LIPA's electric transmission and distribution (T&D) system is predominantly an overhead system. In general, overhead construction with a robust tree-trim program has provided the best balance between reliability and cost of service for LIPA's customers.
- In recognition of evolving risks to the T&D System in the future as a result of climate change and other factors, for new transmission projects designed for voltages 65kV and above that are not subject to Article VII, underground method of construction is more likely than not to meet the requirements of LIPA's Board Policy on T&D Operations.
- If overhead method is proposed for such facilities, a review of factors such as those identified in certain state regulations (see, for example, Title 16 NYCRR Part 102) should be performed.

Jones Beach Energy and Nature Center I Wantagh, New York

Policy Compliance & Overall Assessment

Transmission & Distribution System Overview

LIPA's Transmission & Distribution (T&D) System Statistics

- Overall T&D system approximately 15,500 total miles (10,000 overhead and 5,500 underground).
- Transmission = approximately 1,500 total miles (1,000 overhead and 500 underground).
- Distribution = approximately 14,000 total miles (9,000 overhead and 5,000 underground).
- Underground lines make up approximately 35.5% of our overall T&D system, with underground lines comprising about 33% of the Transmission System and nearly 36% of the Distribution System.

Transmission & Distribution Highlighted Construction Projects

- ✓ **Projects are evaluated with multiple options in mind balancing considerations of constructability, cost and local customer preferences**

- ✓ **Eaton's Neck Reconfiguration Reliability Project**
  - Approximately 2,100 customers served with a significant portion of them experiencing a long history of sustained and momentary outages that far exceed system-wide average performance.
  - A reliability project with a scope that incorporated a mix of solutions, with the objective of reducing customer outages in this area. The main project components included converting a portion of the overhead three phase conductor to underground and storm hardening 0.8 miles of overhead lines.
  - Project completed in April 2024 at a cost of approximately $2.3 million.

- ✓ **Huntington Village Load Pocket Project**
  - Approximately 4,000 customers supplied by two 23kV lines with portions running through heavily vegetated areas that have experienced many outages over an extended period of time, especially during major storm events.
  - Potential solutions (1. Overhead – Aerial Cable, 2. Underground, and 3. Hybrid of #1 and #2) were developed and thoroughly evaluated, with the Aerial Cable solution coupled with additional hardening becoming the preferred solution. This project is scheduled to commence in early 2025.

External Affairs (EA) Public Outreach for Construction Projects

Public Outreach Tier Structure and Activity

- PSEG Long Island outreach is integrated into capital project planning, design, and construction, and both LIPA and the Department of Public Service review project scoring and outreach plans.
- PSEG Long Island scores each project using outreach tiers based on various factors, including project need, community impact, governmental impact, media landscape, permitting and regulatory requirements, aesthetic impacts, and environmental, historical, cultural, and construction considerations. An outreach plan is developed for each specific project. The outreach tiers are used as a guideline, and outreach tools are then tailored to each project's specific circumstances.
- Tier 1 project activities may include: (i) developing collateral materials; (ii) conducting media and regulatory audits to determine the outreach landscape and identification of stakeholders; (iii) briefing impacted officials; and (iv) notifying impacted customers.
- Tier 2 project activities may include: (i) all Tier 1 activities; (ii) mailings or door hangers to impacted customers; (iii) follow-up with impacted officials; and (iv) sharing project information on PSEG Long Island's website and social media accounts.
- Tier 3 project activities may include: (i) all Tier 1 and 2 activities; (ii) engaging in early design discussions; (iii) conducting early outreach and partnering with elected officials; (iv) hosting open houses; (v) collaborating with third-party experts; (vi) implementing a print and/or broadcast media communications plan; and (vii) email updates to impacted customers.
- Since the last annual update, there were two T&D-specific projects that were scored by External Affairs as Tier 3, Belmont Substation Conversion (from 33kV to 69kV) and Bridgehampton – Install New 69kV Circuit to Buell Substation. Additionally, there were five projects that were scored as Tier 2.

Jones Beach Energy and Nature Center I Wantagh, New York

Risk Management

Enterprise Risk Management

There is one low-level risk related to the Construction of T&D Projects Board Policy. This risk is being monitored and opportunities for enhanced mitigation actions are being discussed.

- Transmission & Distribution and capital generation projects could lead to controversy with stakeholders, negative public perception, and SEQRA and/or other litigation.
- LIPA mitigates this risk with concurrent oversight of PSEG Long Island's project identification, planning, and development process for significant projects and through its Legal and External Affairs teams that work closely with PSEG Long Island's External Affairs to monitor compliance with the Policy and the communication with towns and the public on significant projects.

Questions?

Billy Raley

Senior Vice President
Transmission & Distribution

lipower.org

FOR CONSIDERATION
November 13, 2024

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Approval of the Annual Report and Amendments to the Board Policy on the Construction of Transmission and Distribution Projects

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The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on the Construction of Transmission and Distribution Projects (the "Policy"); (ii) adopting revisions to the Policy described and recommended in this memorandum; and (iii) finding that LIPA has complied with the Policy, which resolution is attached hereto as **Exhibit "A"**.

Background

By Resolution No. 1383, dated September 27, 2017, the Board adopted the Policy with the purpose of supplementing existing requirements and practices and to guide consistent decision-making related to: (i) the evaluation of system-wide benefits and costs for underground construction of projects where such benefits may exceed their costs; and (ii) public outreach prior to construction of major projects. The Policy was last reviewed on September 28, 2022.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that the Authority has complied with the Policy for the period since the review of the Policy last year.

The Policy requires that the Chief Executive Officer annually report to the Board on compliance with the key provisions of the Policy. The key provisions of the Policy require that LIPA and its Service Provider, PSEG Long Island:

"For transmission projects designed for voltages 65 kV and above that are not subject to Article VII, prepare a pre-construction report containing an advantage-disadvantage analysis using standardized criteria for evaluating the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by New York utilities subject to Title 16 of the New York Codes, Rules and Regulations ("NYCRR") Part 102, such report to be done sufficiently far in advance of construction to inform the public outreach and project planning process":

- The Eaton's Neck Reconfiguration Reliability Project benefits approximately 2,100 customers served with a significant portion of them experiencing a long history of sustained and momentary outages that far exceed system-wide average performance. A reliability project was developed with a scope that incorporated a mix of solutions, with the objective of reducing customer outages in this area. The main project components included

converting a portion of the overhead three phase conductor to underground and storm hardening 0.8 miles of overhead lines. This project was completed in April 2024 at a cost of approximately $2.3 million.

- The Huntington Village Load Pocket Project will benefit approximately 4,000 customers supplied by two 23kV lines with portions running through heavily vegetated areas. These customers have experienced many outages over an extended period, especially during major storm events. Potential construction solutions include: (i) overhead – aerial cable, (ii) underground; and (iii) a hybrid of the first two potential solutions. These were developed and thoroughly evaluated, with the aerial cable solution coupled with additional hardening becoming the preferred solution. This project is scheduled to commence in early 2025.

"Maintain a special tariff for undergrounding to provide a financing mechanism that allows local communities to pay for the additional cost of undergrounding all or a portion of a transmission or distribution project where insufficient systemwide benefits exist to justify allocation of the incremental expense throughout the Service Area."

- LIPA's Tariff for Electrical Service (the "Tariff") provides a financing program that allows a local community to request an overhead line be undergrounded.
- The Tariff provisions allow the requesting municipality the option of paying either the full incremental cost of undergrounding in advance of construction or paying the cost in the form of an incremental consumption charge for a period of 20 years.
- LIPA prepared a brochure for its Service Provider on the undergrounding program, which was electronically distributed to local elected officials and is available on both the LIPA and PSEG Long Island websites. A formalized process was also developed with LIPA oversight to ensure the effective implementation of the Tariff provisions.
- This tariff has been used most recently for a project that was completed in 2021 in the Village of Westhampton.

"LIPA and its Service Provider will conduct outreach to affected public officials, civic leaders, and communities in advance of the construction of transmission and distribution projects in a manner appropriate to each project, including visual representations of the proposed project as built, if appropriate, consistent with industry best practices, as mutually agreed upon by LIPA and its Service Provider, and in consultation with the Department of Public Service":

- PSEG Long Island outreach is integrated into capital project planning, design, and construction, and both LIPA and the Department of Public Service review project scoring and outreach plans.
- PSEG Long Island scores each project using outreach tiers based on various factors, including project need, community impact, governmental impact, media landscape, permitting and regulatory requirements, aesthetic impacts, and environmental, historical, cultural, and construction considerations. An outreach plan is developed for each specific project. The outreach tiers are used as a guideline, and outreach tools are then tailored to each project's specific circumstances.

- Tier 1 project activities may include: (i) developing collateral materials; (ii) conducting media and regulatory audits to determine the outreach landscape and identification of stakeholders; (iii) briefing impacted officials; and (iv) notifying impacted customers.
- Tier 2 project activities may include: (i) all Tier 1 activities; (ii) mailings or door hangers to impacted customers; (iii) follow-up with impacted officials; and (iv) sharing project information on PSEG Long Island's website and social media accounts.
- Tier 3 project activities may include: (i) all Tier 1 and 2 activities; (ii) engaging in early design discussions; (iii) conducting early outreach and partnering with elected officials; (iv) hosting open houses; (v) collaborating with third-party experts; (vi) implementing a print and/or broadcast media communications plan; and (vii) email updates to impacted customers.
- Since the last annual update, PSEG Long Island reports that there were a total of seven Transmission and Distribution-specific projects that were scored by External Affairs as Tier 2 or Tier 3. Two of those projects were Tier 3, including the Belmont Substation Conversion (from 33kV to 69kV), and Bridgehampton – Install New 69kV Circuit to Buell Substation. Five projects are rated a Tier 2, including Woodmere Conversion & Reinforcement Feeder Extension, Syosset New Underground 13.2 kV Feeder & Overhead Reconductoring, Park Place (2A) Feeder Extension (Superblock), Reconductor 33-315 Reynolds Channel Submarine Cable and Port Jefferson - Install New 13kV Distribution Feeder.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management. Enterprise risks are brought to the Board's attention throughout the year. There is one risk related to the Policy. That risk is: "Transmission and Distribution and generation capital projects could lead to controversy with stakeholders, negative public perception, and SEQRA and other litigation."

This risk is rated as a low-level risk. LIPA mitigates this risk with concurrent oversight of PSEG Long Island's project identification, planning, and development process for significant projects and through its Legal and External Affairs teams that work closely with PSEG Long Island's External Affairs to monitor compliance with the Policy and the communication with municipalities and the public on significant projects. Based on the mitigation actions in place, LIPA Staff believes this risk is adequately managed.

Annual Review of the Policy

LIPA Staff has completed its review of the Policy and is proposing certain changes to reflect consideration of the evolving trends in risks and benefits from underground and overhead methods of constructions for new transmission facilities for voltages 65 kV and above that are not subject to Public Service Law Article VII. Such considerations include growing climate change risks that were identified in the recently completed Climate Change Vulnerability Study, potential additions of transmission capacity needed to reliably accommodate future offshore wind deliveries to Long Island, and other factors considered to meet the requirements of the Board's Policy on Transmission and Distribution Operations.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution
Exhibit "B" Policy (redline)

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON THE CONSTRUCTION OF TRANSMISSION AND DISTRIBUTION PROJECTS

WHEREAS, the Board Policy on the Construction of Transmission and Distribution Projects (the "Policy") was originally approved by the Board of Trustees Resolution No. 1383, dated September 27, 2017; and

WHEREAS, the Policy was last reviewed by the Board in September 2022; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and finds that the amendments proposed are due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the Board hereby adopts the amendments to the Policy as reflected in **Exhibit "B"**.

Dated: November 13, 2024

Exhibit "B"

Board Policy:	**Construction of Transmission and Distribution Projects**
Policy Type:	**Operating Policies**
Monitored by:	**Oversight and Clean Energy~~REV~~ Committee**
Board Resolution:	**#1383, approved September 27, 2017** **#1449, amended December 19, 2018** **#1491, amended September 25, 2019**

DRAFT revisions proposal for November 13, 2024 meeting

Board Policy on Construction of Transmission and Distribution Projects

It is the policy of the Long Island Power Authority to (i) make choices for the construction of the transmission and distribution system in a consistent manner that balances cost for all customers with local concerns; (ii) to conduct public outreach prior to the beginning of construction in accordance with certain principles described herein; and (iii) to accommodate local preferences for underground construction in circumstances where system-wide benefits are insufficient to justify the incremental expense by providing mechanisms for local choice and local funding.

Regulatory Requirements

LIPA's construction of transmission and distribution facilities must comply with criteria contained in several statutes and regulations, including:

- Article VII of the New York Public Service Law (Article VII)[1],
- State Environmental Quality Review Act (SEQRA),
- Environmental Conservation Law (ECL) Article 8,
- 6 NYCRR 617 (SEQRA implementing regulations),
- 21 NYCRR 10052 (LIPA's SEQRA implementing regulations), and
- Smart Growth Public Infrastructure Policy Act, ECL Article 6.

This Policy supplements these legal and regulatory requirements to guide consistent decision-making.

[1] Article VII applies to electric transmission facilities with a design capacity of 100 kilovolts (kV) or more extending for at least 10 miles, or 125 kV and extending more than one mile.

Selection of Construction Type

LIPA's electric transmission and distribution system is predominantly an overhead system.[2] In general, overhead construction with a robust tree-trim program has provided~~s~~ the best balance between reliability and cost of service for LIPA's customers. In recognition of evolving risks to the T&D System in the future as a result of climate change and other factors, for new transmission projects designed for voltages 65kV and above that are not subject to Article VII, underground method of construction is more likely than not to meet the requirements of LIPA Policy on Transmission and Distribution Operations. If overhead method is proposed for such facilities, a review of ~~Underground facilities are considered when necessary to address issues of feasibility[3] or to address~~ factors such as those identified in certain state regulations (see, for example, Title 16 NYCRR Part 102) should be performed.

To achieve the objectives of this Policy, LIPA and its Service Provider will:

- For transmission projects designed for voltages 65 kV and above that are not subject to Article VII, prepare a pre-construction report containing an advantage-disadvantage analysis using standardized criteria for evaluating the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by New York utilities subject to Title 16 of the New York Codes, Rules and Regulations (NYCRR) Part 102[3], such report to be done sufficiently far in advance of construction to inform the public outreach and project planning process[4];
- For all transmission projects designed for voltages below 65 kV, as well as all distribution projects, consider the criteria set forth in the attachment to this Policy, as applicable.
- Maintain a special tariff for undergrounding to provide a financing mechanism that allows local communities to pay for the additional cost of undergrounding all or a portion of a transmission or distribution project where insufficient systemwide benefits exist to justify allocation of the incremental expense throughout the Service Area[5];
- Underground service to multiple occupancy buildings and new residential subdivisions at the developer's expense in accordance with similar criteria used by New York utilities subject to 16 NYCRR Part 100; maintain tariff provisions for the utility to provide cost allowances for undergrounding residential service where required or where requested by an applicant, consistent with Title 16 NYCRR Part 98 (e) and (f); and underground customer-owned facilities at customer expense.

[2] As of 2024, LIPA's electric grid contains approximately [10,000 miles (9,000 distribution and 1,000 transmission) of overhead lines and 5,~~2~~500 miles (~~4~~5,~~8~~000 distribution and ~~4~~500 transmission)] of underground lines.

[3] ~~LIPA's standardized criteria for evaluating eligible projects are included as an attachment to the Policy.~~

[4] The analysis for each project will be sent to the Trustees as an information item when completed.

[5] Local communities may also pursue other financing mechanisms, such as an undergrounding district.

Application of the Policy to Pprojects pPlanned by pParties Oother Tthan LIPA

Consistent with this Policy, if a party other than LIPA is planning a transmission project in the LIPA's Service Area, including upgrading or rebuilding facilities, designed for voltages 65kV and above that is not subject to Article VII, such party should plan for underground method of construction for the planned facilities after it has completed a consultation with the LIPA. The party may plan for overhead method of construction if it completes the pre-construction report contemplated by this policy with consideration of criteria set forth in the attachment to this policy, and on the basis of such report and consideration has reasonably concluded, with concurrence by LIPA, that overhead construction method is justified for all or relevant portions of the planned facility.

Principles for Public Outreach

Public outreach is important to maintaining public acceptance and support for the infrastructure necessary to maintain reliable electric service to the 1.21 million customers served by the LIPA and its Service Provider. The electric grid is a complex system of generation and transmission that aims to ensure adequate levels of power reach customers at reasonable cost, with minimum impact to the environment and local community.

LIPA's Service Provider implements many widely varying infrastructure projects each year. There is therefore no "one size fits all" approach to public outreach, and any process requires regular review, including to consider changing conditions or lessons learned from actual projects over time.

To achieve the objectives of this Policy, LIPA and its Service Provider will conduct outreach to affected public officials, civic leaders, and communities in advance of the construction of transmission and distribution projects in a manner appropriate to each project, including visual representations of the proposed project as built, if appropriate, consistent with industry best practices, as mutually agreed upon by LIPA and its Service Provider, and in consultation with the Department of Public Service.[6]

LIPA's principles to guide the public outreach process include:

- Evaluating the potential impacts of each major project for:
  - Project scope, development timeline, and alternatives;
  - Cost, including the cost of alternatives;
  - Community impact, including:
    - Local services,
    - Aesthetic concerns,
    - Tree canopy and vegetation,
    - Residential or commercial districts,

[6] The Department of Public Service's responsibilities in reviewing such capital projects are pursuant to the LIPA Reform Act, as described in a letter from the DPS CEO dated June 23, 2014.

        - Height of poles,
        - Historic or cultural areas,
        - Environmentally sensitive areas;
    - Local, state and federal jurisdictions affected; and
    - Permitting and regulatory requirements.
- Using tools for public outreach designed to ensure all relevant officials, stakeholders, and customers are informed of project plans, and that all projects proceed transparently, including:
    - Briefing officials in affected areas;
    - Meeting with civic groups and organizations, as appropriate;
    - Notifying affected customers through mailings, door hangers, websites, outbound calls, open houses, and social media, as appropriate.
- Developing systematic outreach plans, particular and appropriate to each project, based on the potential impacts of the project, evaluated as described above.
- Performing appropriate outreach for each project prior to any State Environmental Quality Review Act determination, if applicable.

The Chief Executive Officer will report annually to the Board on compliance with the key provisions of this Policy.

Attachment

LIPA's Standardized Criteria for Evaluating Systemwide Benefits of ~~Underground~~ Overhead V~~v~~ersus Undergrounds Transmission Facilities

LIPA's Board Policy on the *Construction of Transmission and Distribution Projects* requires "utilizing standardized criteria for evaluating the systemwide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by New York utilities subject to Title 16 of NYCRR Part 102."

Therefore, the evaluation of whether to construct overhead versus underground transmission facilities[7] shall include:

1. Any Priority Areas (defined below) affected by the subject Project where the advantages of ~~underground~~ overhead transmission construction to the public *throughout the Service Area* may outweigh the disadvantages (i.e., an advantage-disadvantage analysis);
2. An inventory of other potentially affected areas in categories identified below; and
3. An explanation of why the proposed transmission facility or portion thereof should be placed overhead or underground.

The categories of areas shall be updated as 16 NYCRR Part 102 may change from time to time.

I. Priority Areas for Advantage-Disadvantage Analysis

Priority Areas for an advantage-disadvantage analysis that evaluates whether the advantages of ~~underground~~ overhead construction outweigh the disadvantages to the public *throughout the Service Area* are:

1. National and State parks, preserves, reservations, landmarks, and monuments formally so designated and acquired for their natural, scenic or cultural value by appropriate State and Federal agencies. (Included would be historic landmarks, national landmarks, national monuments and trails, and wild and scenic rivers.)

2. Status as a disadvantaged and/or historically marginalized community;

~~2.~~3. Historic sites formally so designated by National or State agencies but without acquisition of rights or ownership sufficient for the purpose of preservation.

~~3.~~4. Central Business Districts (as defined below) in towns, cities, villages and hamlets.

[7] Transmission facilities 65 kV or higher for distances of one mile or longer, excluding facilities subject to Article VII of the Public Service Law; the construction of all other such transmission facilities in Priority Areas shall be reported to the Board no less than annually.

~~4.~~5. Developed and partly developed residential areas with an existing density of one or more dwelling units per acre, as shown on approved Subdivision (as defined below) maps, occupying a minimum contiguous area of 20 acres, all or a portion of which would be traversed by the proposed transmission facility right-of-way.

II. Definitions

(a) Central Business Districts are:

1. The centrally located, prime commercial district of a municipality (which may be a town, city, village or hamlet), the focus of main traffic arteries and mass transit composed of retail trade, offices (including governmental functions), light manufacturing and commercialized recreational activities with few or no dwellings.
2. Commercial areas essentially one lot deep along a thoroughfare are more aptly described as strip developments and not central business districts.

Central business districts occupy a relatively small proportion of the urbanized area -- not over four percent even in the smallest cities and only 0.4 percent in the largest.

(b) Subdivisions are a tract of land divided into lots for residential buildings the plan for which has been approved by governmental authorities having jurisdiction.

III. Exemption from Completion of Full Report Consistent with 16 NYCRR 102

A full report consistent with the provisions of 16 NYCRR 102 is not required for upgrading or rebuilding transmission facilities on existing right-of-way provided that all of the following conditions are met:

1. No additional rights-of-way are required;
2. There is no increase in the number of structures on the right-of-way;
3. The resulting structures do not carry more than two circuits;
4. No substantial modification will be made to existing vegetative cover on the right-of- way; and
5. The height of a new tower does not exceed the height of a replaced tower by more than 10 feet.

Likewise, a full report is not required if construction of the facility in question must substantially be ~~underground~~ overhead for technical reasons.

IV. Elements of the Advantage-Disadvantage Analysis for Priority Areas

The advantage-disadvantage analysis for Priority Areas is meant to provide a framework by which the features or facts which support one or another mode of construction are identified clearly. Circumstances that reduce or enhance the benefits or affect the costs of ~~underground~~ overhead construction, identified in the advantage-disadvantage analysis, will provide the basis for decision. Examples of factors which may affect a decision to ~~underground~~ overhead would include the availability of suitable existing corridors, or the likelihood of pronounced visual impact.

Data and/or all pertinent information for each item shall be presented for both the underground and overhead alternative. The analysis of cost should be made on a present-worth basis for both alternatives over a period long enough to allow for appropriate incremental construction.

The advantage-disadvantage analysis for Priority Areas shall include:

1. Availability of existing corridors suitable for additional transmission facilities. (The availability of suitable existing corridors through a Priority Area, for example, may reduce the relative benefits of underground construction.)
2. Capital construction costs. (Costs that may be capitalized under the uniform system of accounts.)
3. Construction expense costs. (Costs that may not be capitalized.)
4. Right-of-way acquisition costs.
5. Anticipated total operation and maintenance costs including power losses for the depreciable life of the plant, discounted to present-worth, when the present worth of such losses is significant in comparison to other costs (such as (i) there is no increase in the number of structures on the right-of- way; (ii) the resulting structures do not carry more than two circuits; or (iii) no substantial modification will be made to existing vegetative cover on the right-of-way).
6. Relevant technological considerations.
7. The relative effect on vegetation, wildlife, soils, erosion, streams, and other such natural features (as noted in biological surveys, water quality ratings, and land management policies and practices) of the construction methods proposed.
8. The relative visual impact including incremental impact compared to existing surroundings.
9. Relative availability of right-of-way for other uses: e.g., parks, recreation, farming, transportation.

V. Other Areas to Be Inventoried

Other areas which should be inventoried, but for which an advantage-disadvantage analysis is not required, but may be prepared if appropriate, are:

1. Areas of outstanding natural or scenic value which are preserved by non-profit private agencies, but which have not been formally so designated by national or State agencies.
2. Areas of outstanding cultural value (e.g., attractive pastoral scenes, locations of noteworthy architectural and/or social import both within and outside specific sites) that have been formally designated by the appropriate governmental authority.
3. Existing local (city, town, village and county) parks and open space areas that have been formally established by governmental or private authorities.
4. Public and semipublic facilities such as cemeteries, educational, correctional and medical facilities and military installations.
5. Existing light industrial and commercial areas (e.g., industrial parks, shopping centers, office building complexes).
6. Partially developed residential areas where the Subdivision will have an eventual population density of one or more dwelling units per acre, as shown on approved Subdivision maps, comprising a minimum contiguous area of 20 acres or a portion of which is traversed by the proposed transmission facility right- of-way.
7. Areas of outstanding cultural value (e.g., attractive pastoral scenes, locations of noteworthy architectural and/or social import both within and outside specific sites that lend attractiveness to a neighborhood or community) that have not been formally designated by governmental or private authority.
8. Residential areas with less population density than those specified in preceding categories.
9. Planned and zoned undeveloped light industrial, commercial and residential areas.
10. Managed woodlands (e.g., commercial and other productive forests).
11. Agricultural districts established in accordance with article 25-AA of the Agriculture and Markets Law, and other farmlands.
12. Existing and planned heavy industrial areas.
13. Woods and open lands other than those included within areas specified in any Priority Area above.

Enterprise Risk Management – F&A Committee Update

Presented by: Jessica Dehnert, Senior Manager of Enterprise Risk Management

November 12, 2025

The Power is Yours ™

Discussion Topics

- Risk Assessment Process Overview
- 2025 High-Priority Risks
- ERM Board Policy Update

ERM **Process Overview**

Risk Reporting
Communication of risk information that enables management to make risk-informed decisions.

Risk Identification
Process to identify risks affecting the organization.

Risk Monitoring
Process for monitoring changes in the probability and/or impact of a risk.

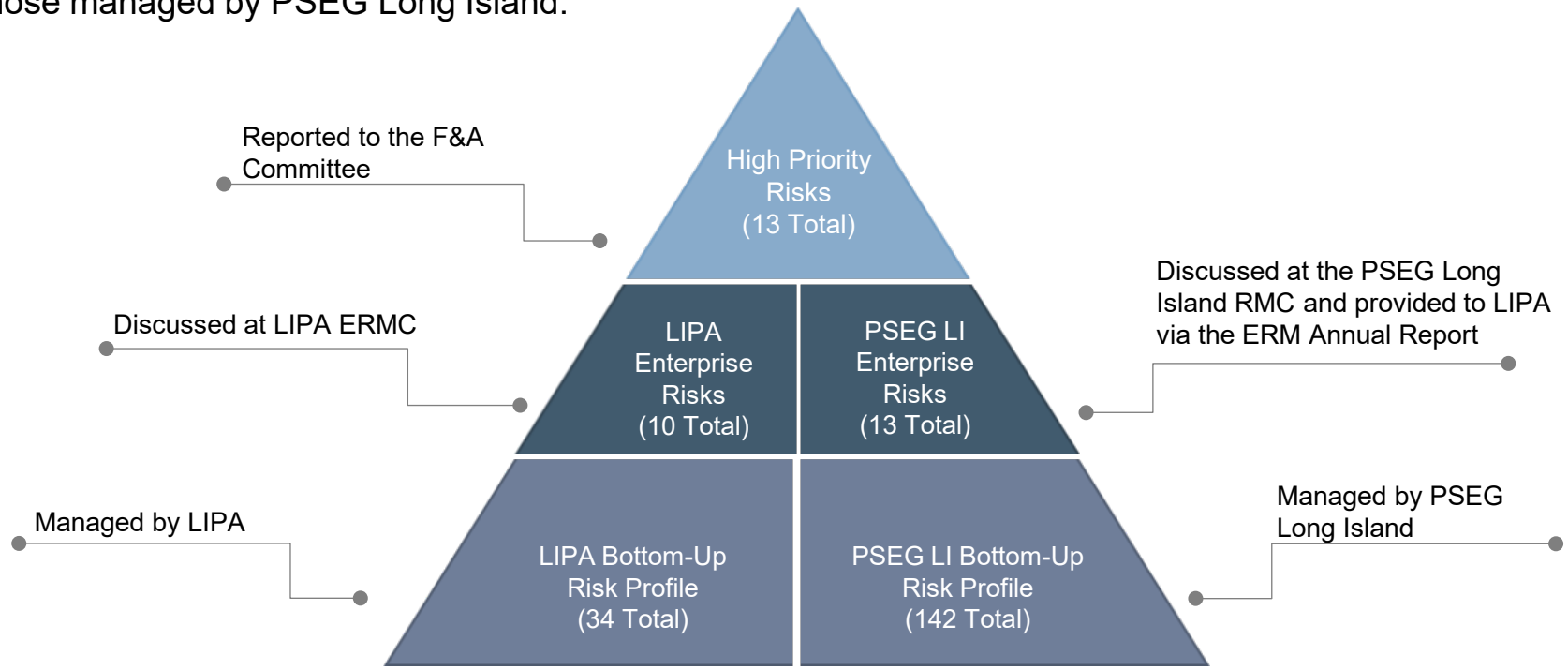
Risk Assessment
Quantitative and qualitative methods utilized to assess the magnitude of risk exposures.

Risk Response & Mitigation
Process and documentation of identifying and implementing actions to minimize the probability and/or impact of a risk.

2025 **Summary of Risks**

High-priority risks can significantly impede ***both*** LIPA and PSEG Long Island's ability to achieve their respective goals.

- Both LIPA and PSEG Long Island undergo a formal risk assessment process to develop their risk profiles. LIPA identifies and manages its risks; PSEG Long Island identifies its risks and provides LIPA with an in-depth annual report detailing its most significant risks and their mitigation actions.
- There are 13 risks that have been deemed high-priority and represent the most significant risks to both LIPA and PSEG Long Island. These risks, along with their mitigation strategies and actions, are reviewed and approved by senior management. LIPA owns all risks, including those managed by PSEG Long Island.



2025 **High Priority** Risks

Category	Risk
Reliability	**Major Event** – Damage to infrastructure, delayed restoration, OT system outage, and/or ineffective communication could result in increased costs and a negative impact to our reputation. This includes covers major storm, wildfire or any other major disruption to the system.
	Physical Security Attack - Substation security and/or the control centers are compromised and could result in reduced reliability and/or a safety incident.
	Outdated Primary Transmission Control Center - Current control center condition could create increased system vulnerabilities, especially during high activity events.
	Safety - Employees/contractors not following procedures, equipment failure, or lack of adequate training could result in an injury/death.
	Asset Management - Aging substation, underground distribution and network, and transmission equipment with minimal inventory for replacement could result in a significant outage and a negative impact to our reputation.
	Inability to Meet Load Requirements - Multiple cable failures, generator(s), and/or inadequate transmission capacity could result in the inability to meet demand.
Technology	**Cyber Event** - Unauthorized access to IT and/or T&D systems could result in decreased operational abilities.
	Failure of Critical Business System - A major outage or performance failure of a critical operating technology or business system, could result in extended disruption to operations or business processes, damage to systems and/or loss of data.
Regulatory & Rates	**CLCPA Project Execution** - Suboptimal planning and/or project execution to achieve LIPA's portion of the New York State climate goals could result in insufficient resource allocations, reduced system reliability, increased customer costs, and negative public perception.
	FEMA Funding Uncertainty - Loss of FEMA funding and/or recovery of storm related expenses could result in increased costs to LIPA
	TOD Rate Implementation - Negative customer perception of Time-of-Day rates results in greater than forecasted opt-outs, lower than anticipated customer and system benefits, and negative reputational impact.
People & Reputation	**Talent Management** - Difficulty attracting/retaining individuals with the right knowledge, skillsets, and experience may impact the ability to achieve our purpose and objectives.
	Reputation - Negative media coverage could alter customer perception, system operations, and access to affordable capital.

*Risks are grouped by category and not ranked in order of prioritization

2025 **Edison Electric Institute** Survey of Top Risks

	EEI Top 15 Risks (based on EEI ranking)	Corresponding High Priority Risk
1	Pressure on Rates and Returns	Rate Constraints, ToD Rate Implementation
2	Security: Cyber	Cyber Security
3	Regulation / Legislation	CLCPA (Climate Transition)
4	Safety – Employee and Public	Safety Incident
5	Resource Adequacy	Inability to Meet Load Requirements, also an emerging risk
6	Catastrophic Event Response (including storms)	Major Event (Storm Response)
7	Operational Performance (Reliability)	Inability to Meet Load Requirements
8	Natural Gas & Fuel Supply Constraint	Inability to Meet Load Requirements
9	Strategy and Execution (incl. Business Model)	Not a discrete risk, but reflects many of the identified significant risks
10	Wildfire	Major Event - Wildfire
11	Third Party Risk/Supply Chain	Identified as a risk but not top tier
12	Sales/Load Growth	Inability to Meet Load Requirements
13	Political and Geopolitical	Identified and included in the emerging risk report
14	Project Execution	CLCPA
15	Security – Physical	Physical Security

**Methodology: 43 companies participated in the EEI survey. Respondents were asked to categorize 32 risk items on a scale of 1-High Importance to 3-Low Importance based on their ERM program evaluations. The EEI top 15 list is based on the risks that ranked closest to an average score of 1. Data was accumulated in 2025.*

LIPA

2025 High Priority **Risk Analysis – Reliability**

Risk	Board Policy & Communications	Metrics
Major Event - Damage to infrastructure (system hardening/resiliency), delayed restoration, and ineffective communication with customers could result in increased costs and negative reputation *Managed by - PSEG Long Island*	**Policy** • T&D Operations **Communications** • May Summer Preparation • Emergency Restoration Plan Update • September Storm Readiness Update • Annual board report • Quarterly metric reports	• T&D-24 Improve Reliability Through Vegetation Management Work Plan • T&D-41 Program Effectiveness Vegetation Management • T&D-50 Storm Outage Response Performance • T&D-54 Storm Crewing Efficiency and Prudency
Physical Security Attack - Substation security and/or the control centers are compromised and could result in reduced reliability and/or a safety incident *Managed by - PSEG Long Island*	**Policy** • Physical security is included in the T&D Operations policy **Communications** • Ongoing communications and updates, as necessary	• IT-06.02 - Project Performance - New 2025 Projects (Access Control for Physical Security)
Outdated Primary Transmission Control Center - Current control center condition could create increased system vulnerabilities, especially during high activity events *Managed by - PSEG Long Island*	**Policy** • N/A **Communications** • Ongoing communications and status updates	• T&D-6 Primary Transmission Control Center Replacement

2025 High Priority **Risk Analysis – Reliability** *(cont'd)*

Risk	Board Policy & Communications	Metrics
Safety - Employees/contractors not following procedures, equipment failure, or lack of adequate training could result in an injury/death *Managed by - PSEG Long Island*	**Policy** • Safety **Communications** • Annual board report • Quarterly metric reports	• T&D-13 Safety – Serious Injury Incident Rate (SIIR)
Asset Management - Aging substation, underground distribution and network, and transmission equipment with minimal inventory for replacement could result in a significant outage and negative reputation *Managed by - PSEG Long Island*	**Policy** • Asset Management **Communications** • Annual Board Report	• T&D-01 Asset Management Program Implementation - Asset Inventory
Inability to Meet Load Requirements - Multiple cable failures, generator(s), and/or inadequate transmission capacity could result in the inability to meet demand *Managed by - PSEG Long Island*	**Policy** • N/A **Communications** • Regular outage communications to the BoT, and pertinent news articles	N/A

2025 High Priority **Risk Analysis – Technology**

Risk	Board Policy & Communications	Metrics
Cyber Event - Unauthorized access to IT and/or T&D systems could result in decreased operational abilities *Managed by – LIPA and PSEG Long Island*	**Policy** • Information Technology and Cyber Security **Communications** • Annual Board Report • Quarterly Metric Reports	• IT-05 Project Performance - In-flight Projects • IT-06 - Project Performance - New 2025 Projects • IT-09 - IT Planning - Ransomware Readiness & Response
Failure of Critical Business System - A major outage or performance failure of a critical operating technology or business system, results in extended disruption to operations or business processes, damage to systems and/or loss of data *Managed by - PSEG Long Island*	**Policy** • Information Technology and Cyber Security **Communications** • Annual Board Report • Quarterly Metric Reports	• IT-3 System Resiliency - Business Continuity Plans and Functional Drills System • IT-10 System Resiliency - Disaster Recovery Plans and Testing

2025 High Priority **Risk Analysis – Regulatory & Rates**

Risk	Board Policy & Communications	Metrics
CLCPA Project Execution - Suboptimal planning and/or project execution to achieve LIPA's portion of the New York State climate goals could result in insufficient resource allocations, reduced system reliability, increased customer costs, and negative public perception *Managed by – LIPA and PSEG Long Island*	**Policy** • Clean Energy and Power Supply **Communications** • Annual board report	• PS&CE-05 Beneficial Electrification – Building Electrification • PS&CE-06 Electric Vehicle Make Ready • PS&CE-14 Transportation Electrification Strategic Initiatives
TOD Rate Implementation - Negative customer perception of Time-of-Day rates results in greater than forecasted opt-outs, lower than anticipated customer and system benefits, and negative reputational impact *Managed by – LIPA and PSEG Long Island*	**Policy** • Customer Value and Affordability **Communications** • Annual board report and periodic updates on progress made to the Board of Trustees	• PS&CE-08 Transition to New "Standard" Time of Day Residential Rates on an Opt-Out Basis • PS&CE-16 Residential Time-of-Day Participation Rate
FEMA Funding Uncertainty - Loss of FEMA funding and/or recovery of storm related expenses results in increased costs to LIPA *Managed by - LIPA*	**Policy** • N/A **Communications** • Ongoing communications and updates as new information is provided	N/A

2025 High Priority **Risk Analysis – People & Reputation**

Risk	Board Policy & Communications	Metrics
Reputation - Negative media coverage could alter customer perception, system operations, and access to affordable capital *Managed by – LIPA and PSEG Long Island*	**Policy** • N/A **Communications** • Frequent communication on stakeholder relations and media provide continuous feedback	N/A
Talent Management - Difficulty attracting/retaining individuals with the right knowledge, skillsets, and experience may impact the ability to achieve our purpose *Managed by – LIPA and PSEG Long Island*	**Policy** • Staffing and Employment **Communications** • Annual Board Report	N/A

ERM Board Policy

- Proposing an addition to the ERM Policy to provide direction regarding risk culture
- By adding risk culture guidance to the policy will help support the initiative to increase focus on risk management at both LIPA and PSEG Long Island
- The development of a robust risk culture helps:
  - Shape attitudes and behaviors – influences and aligns thoughts attitudes and beliefs
  - Guides decision-making – provides a consistent framework for making decisions
  - Promotes communication – encourages open and honest communication
  - Embeds risk awareness – integrates risk considerations into daily operations
  - Instills a sense of ownership for risk management activities

ERM Board Policy

The vision for Enterprise Risk Management (ERM) is to maintain an industry-leading program that identifies, assesses, and monitors significant risks to achieving LIPA's purpose and vision and the Board's objectives as stated in each policy.

Policy Provisions:

- Strategically manage or oversee risks to reduce the probability of significant outages, financial loss, health and safety events, reputational harm, and failure to achieve the Board's policy objectives.
- Create an Enterprise Risk Management Committee (ERMC), which Committee members will be appointed at the discretion of LIPA's Chief Executive Officer. LIPA's service provider will maintain a Risk Management Committee to oversee those risks and report to LIPA's ERMC.
- Perform an evaluation of its most significant risks and corresponding management activities.

Additionally, there will be an annual report to the Finance and Audit Committee of the Board on:

- Compliance with the policy, including the results of a biennial review of the maturity of the program compared to industry best practices. The next maturity assessment will be undertaken in 2026.
- Review of the significant risks to LIPA's purpose and vision.

Proposed 2025 update to the Policy:

- **Ensure LIPA and PSEG Long Island leadership promotes a strong risk aware culture by discussing risk openly, integrating risk management into decision the making processes, and promoting accountability for managing risk across the organization.**

Questions?

Jessica Dehnert
Senior Manager, ERM

lipower.org

FOR CONSIDERATION
November 12, 2025

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Consideration of Approval of the Annual Report and Amendments on the Board's Policy on Enterprise Risk Management

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) finding that LIPA has complied with the Board Policy on Enterprise Risk Management (the "ERM Policy" or "Policy"); (ii) approving the annual report for the Policy; and (iii) approving amendments to the Policy, which Resolution is attached hereto as **Exhibit "A."**

Background

By Resolution No. 1351, dated March 29, 2017, the Board adopted the ERM Policy, focusing on the identification, assessment, management, and mitigation of risks. The Policy was last reviewed and amended by the Board in September 2023. The Finance and Audit Committee ("F&A Committee"), in its Charter, was delegated the responsibility for reviewing LIPA's practices relating to ERM. LIPA's Service Provider, PSEG Long Island, participates in the implementation of LIPA's ERM Program. Specifically, the Policy provides that "the Chief Executive Officer or his or her designee will report annually to the F&A Committee of the Board on: (i) compliance with the key provisions of the Policy, including the results of a biennial review of the maturity of the program compared to industry best practices; and (ii) review of the significant risks to LIPA's purpose and vision."

Compliance with the Policy

LIPA and PSEG Long Island have maintained an ERM program designed to evaluate significant risks and corresponding mitigation activities facing the business. This Report covers ERM activities from the Board's June 2024 review to the present. LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the objectives of the Policy for the period since the last annual report.

The Policy states that "LIPA shall maintain an ERM program with the following key provisions:"

"Strategically manage or oversee risks to reduce the probability of significant outages, financial loss, health and safety events, reputational harm, and failure to achieve the Board Policy objectives."

- LIPA and PSEG Long Island have maintained an ERM program designed to evaluate significant risks and corresponding mitigation activities facing the business, including risks related to significant outages, financial loss, health and safety events, and reputational harm. As discussed below, LIPA has an active Enterprise Risk Management Committee that regularly discusses the most significant risks facing LIPA's and PSEG Long Island's objectives and operations.

"Create an Enterprise Risk Management Committee ("ERMC"), which Committee members will be appointed at the discretion of LIPA's Chief Executive Officer. LIPA's service provider will maintain a Risk Management Committee to oversee those risks and report to LIPA's ERMC."

- LIPA has an active ERMC that reviews the progress and findings of the ERM Program, including discussions of the most significant risks facing LIPA and its Service Provider. Since the last annual report, the ERMC has met three times to discuss the various components of the Program, including the review of LIPA and PSEG Long Island's risk assessments and associated mitigation activities. In addition, it also reviewed PSEG Long Island's ERM Annual Report.

- Currently, there are nine members on the Committee, including the CEO, CFO, COO, CIO, General Counsel, and other LIPA Staff at the Senior Vice President, Vice President, and Director levels.

Additionally, the Policy provides that the annual report shall include an update on the "results of a biennial review of the maturity of the program compared to industry best practices."

- The most recent ERM maturity assessment was conducted in June 2024 in alignment with the Board-approved biennial review cadence. The ERM Program improved in many areas, including risk governance via enhanced policies and frameworks, better integrating risk analysis into internal audit reports, and better coordination and inclusion of LIPA subject matter experts in the PSEG Long Island risk assessment process. In accordance with the Policy, the next maturity assessment will be conducted by June 2026.

Last, the policy provides that the annual report shall include "an evaluation of its most significant risks and corresponding management activities."

- The F&A Committee receives an annual update on the ERM Program highlighting the significant risks and mitigation actions facing LIPA and PSEG Long Island concurrent with this annual report. Over the course of the year, there are additional presentations to the Board that discuss significant risks, some of which include: major storm, cyber security, safety, physical security, the outdated primary transmission control center, asset management, and staffing.

Annual Review of the Policy

In reviewing the Policy, there is one proposed addition for 2025 that relates to enhancing risk culture. The proposed addition is as follows, 'Ensure LIPA and PSEG Long Island leadership promotes a strong risk aware culture by discussing risk openly, integrating risk management into decision making processes, and promoting accountability for managing risk across the organization.'. This inclusion provides direction and tone for LIPA and PSEG Long Island leadership to ensure there is focus and support for risk management across each organization. The final version of the amended Policy, is attached hereto as **Exhibit "B."**

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution
Exhibit "B" ERM Policy (redline)

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD POLICY ON ENTERPRISE RISK MANAGEMENT

WHEREAS, the Enterprise Risk Management Policy (the "Policy") was originally approved by the Board of Trustees by Resolution No. 1351, dated March 29, 2017; and

WHEREAS, the Policy was last amended by Resolution No. 1572, dated December 16, 2020; and

WHEREAS, the Finance and Audit Committee (the "Committee") of the Board of Trustees of the Long Island Power Authority ("LIPA") has conducted an annual review of the Policy and has recommended that the Board find that the Policy has been complied with and that the proposed changes to the Policy and due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report on the Policy.

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in **Exhibit "B"** are hereby approved.

Dated: November 12, 2025

Board Policy: **Enterprise Risk Management**

Policy Type: **Operating**

Monitored by: **Finance and Audit Committee**

Board Resolution: **#1351, approved March 29, 2017**
#1428, amended September 27, 2018
#1492, amended September 25, 2019
#1572, amended December 16, 2020
#1808, amended September 27, 2023
#~~##1808~~, amended November~~September~~ 12~~27~~, 2025~~3~~

Board Policy on Enterprise Risk Management

The Long Island Power Authority's ("LIPA") vision for Enterprise Risk Management ("ERM") is to maintain an industry leading program that identifies, assesses, and monitors significant risks to achieving LIPA's purpose and vision and the Board's objectives as stated in each policy.

LIPA shall maintain an ERM program[1] with the following key provisions:

- Strategically manage or oversee risks to reduce the probability of significant outages, financial loss, health and safety events, reputational harm, and failure to achieve the Board Policy objectives.
- Create an Enterprise Risk Management Committee ("ERMC"), which Committee members will be appointed at the discretion of LIPA's Chief Executive Officer. LIPA's service provider will maintain a Risk Management Committee to oversee those risks and report to LIPA's ERMC.[2]
- Perform an evaluation of its most significant risks and corresponding management activities.
- Ensure LIPA and PSEG Long Island leadership promotes a strong risk aware culture by discussing risk openly, integrating risk management into decision making processes, and promoting accountability for managing risk across the organization.

LIPA's Chief Executive Officer or his or her designee will report annually to the Finance and Audit Committee of the Board on: (i) compliance with the key provisions of the Policy, including the results of a biennial review of the maturity of the program compared to industry best practices; and (ii) review of the significant risks to LIPA's purpose and vision.

[1] Section 4.2(5)(q)(i) of the Seconded Amended and Restated Operations Services Agreement ("2nd Amended and Restated OSA") requires that the Service Provider be responsible for "maintaining a comprehensive Enterprise Risk Management ("ERM") Program ("ERM Program") to identify, assess, monitor, and report on the Service Provider's most significant risks to the organization in accordance with the prevailing LIPA Board policy on Enterprise Risk Management."

[2] Section 4.2(5)(q)(vi) of the 2nd Amended and Restated OSA requires that the Service Provider be responsible for "establishing and maintaining a Risk Management Committee to oversee the Service Provider's ERM Program, including but not limited to, the risk assessment process, deep dives, risk escalation, and reporting on the most significant risks to LIPA's management team."

Power Supply Hedging Program Policy Annual Compliance Report

Presented by: Pervez Khaled, Senior Manager of Strategy
Prepared for: LIPA Board of Trustees

May 22, 2025

Recommended Amendments to Power Supply Hedging Program Board Policy

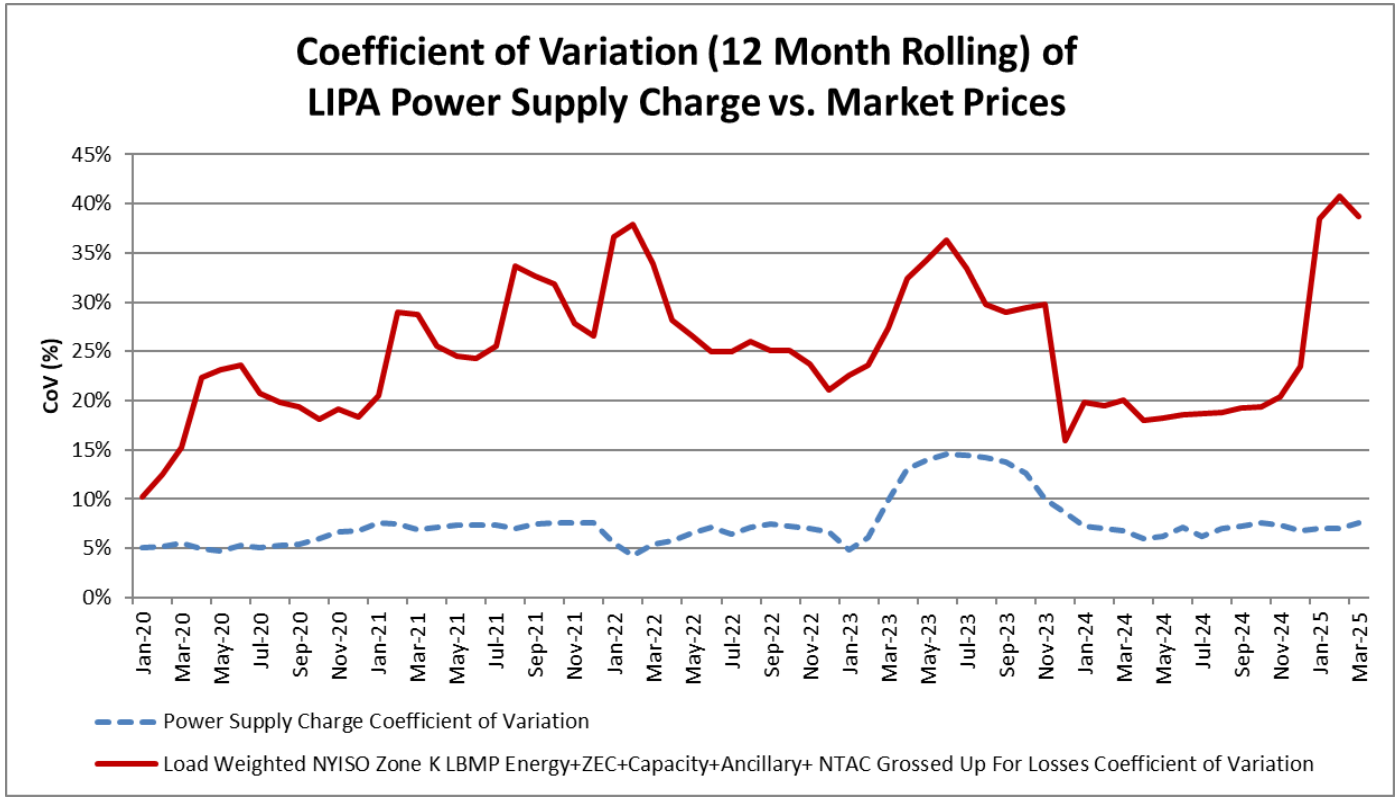
- The revised draft *Power Supply Hedging Program Policy* includes several administerial amendments to the wording of key provisions of the Board Policy to make them more concise.

- Appendix added to the Policy to document current PSM-FM Service Provider, reducing future Policy edits.

A redline version of the proposed amended *Power Supply Hedging Program Policy* is provided in the Acting CEO's Memo and Resolution to the Trustees as Exhibit "A".

Meeting the Board Policy Vision

Mitigate a portion of Power Supply Charge (PSC) volatility



Hedging activity has resulted in PSC volatility through March 2025 at 7.7%, while wholesale spot market volatility is more than 4x that at 38.7%

Governance of Power Supply Hedging Program

Power Supply Risk Management Committee (PRMC)

Must have at least 3 members, 2 from senior staff

- 7 LIPA staff sit on the PRMC, chaired by the CFO and comprised of 3 senior staff

- PRMC meets monthly with the PSEG ER&T staff to discuss:
  - Current hedge position, market changes, counterparty credit health, compliance with the LIPA Hedge Plan protocols and limits stated in LIPA's Procedures Manual, and review quarterly benchmarks of the program to ensure optimal Hedge Program performance
  - Conduct annual review of the Internal Policy, Controls, and Procedures Manual

Transparency of the Power Supply Hedging Program

- PSEG ER&T provides the PRMC daily, weekly, and monthly hedging activity reports

Key Provisions of the Power Supply Hedging Program Policy

Maximum net hedge level: 90% of projected fuel and power needs

- Current yearly and individual monthly hedge levels are below 90%

	Balance of 2025	Calendar 2026	Calendar 2027	Calendar 2028
Hedge Level	**61%**	**47%**	**28%**	**17%**

Date as of: May 12, 2025

Maximum hedge term: 72 months

- PRMC approved hedge term is 48 months in LIPA Hedge Plan. Currently, hedges extend out 43 months to December 2028 and in January 2026 new hedges will extend out to December 2029, or 47-month horizon

All hedges are for the purpose of appropriate risk mitigation

- Transactions are based on time or value triggers not market speculation

Counterparty Credit Review

- PSEG Credit Risk Management reports credit exposure weekly and monthly, and performs quarterly counterparty credit health reviews
- Currently there are no credit concerns with any of LIPA's financial counterparties

Questions?

Pervez Khaled
Senior Manager of Strategy

lipower.org

FOR CONSIDERATION
May 22, 2025

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Consideration of Approval of the Annual Report and Amendments on the Board's Policy on the Power Supply Hedging Program

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on the Power Supply Hedging Program (the "Policy") for the period since the last annual review; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **Exhibit "A"**.

Background

By Resolution No.1352, dated March 29, 2017, the Board adopted the Policy to maintain an effective commodity hedging program ("Program"), focused on meeting the expectations of LIPA's customers for reasonable stability and predictability in power supply costs. The Policy was last reviewed by the Board in November 2022.

The Finance and Audit Committee (the "F&A Committee"), in its charter, was delegated the responsibility of reviewing LIPA's practices relating to commodity risk management. The Committee considers as part of its review whether LIPA and its service provider, currently PSEG Energy Resource &Trade ("PSEG ER&T"), have remained in compliance with the Policy. As set forth in the Policy, certain responsibilities were delegated by the Board to the Chief Executive Officer, including maintaining a Power Supply Risk Management Committee ("PRMC") to oversee the activities of the service provider.

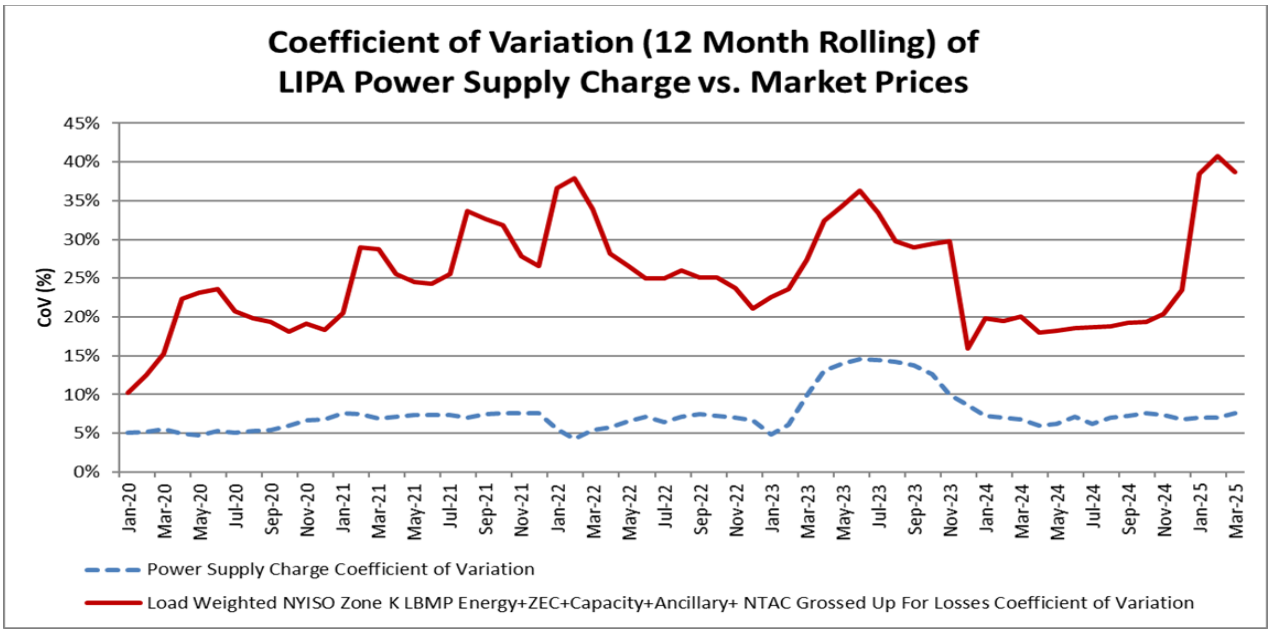
Specifically, the Policy provides that "the Chief Executive Officer, or his or her designee, will provide an annual compliance report on the Power Supply Hedging Program to the Finance and Audit Committee."

Compliance with the Policy

LIPA staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual review.

The Policy is intended to "Mitigate a portion of the volatility of power supply costs in a programmatic and reasonable way on behalf of the LIPA's customers."

The PRMC approves the LIPA Hedge Plan, which identifies certain power supply cost components that can be hedged to create reasonable and stable rates. In general, actively hedging these cost components has proven to reduce the Power Supply Charge ("PSC") volatility for LIPA's customers compared to purchasing power and fuel in the open market. As part of its biannual Hedge Program update, on May 22, 2025, Mr. Ray DePillo from PSEG ER&T will present to the F&A Committee a graph indicating the actual PSC volatility as compared to the volatility customers would be exposed to from unhedged market prices. The following graph indicates that LIPA's PSC volatility through March 31, 2025, is approximately 8%, while market price volatility is greater than four times that amount at approximately 39%.



The Policy shall be "executed using financial derivative and physical supply and delivery contracts for a portion of LIPA's projected fuel and purchased power purchases, provided, however that: the net hedge position does not exceed 90% of projected fuel and purchased power needs; and the term of any such hedge does not exceed ten years without the prior approval of the Board or a term in excess of seventy-two (72) months without the prior approval of the Finance and Audit Committee of the Board."

- PSEG ER&T authorized traders to execute both financial and physical hedge transactions on LIPA's behalf for defined volumes that as of May 9, 2025, would be within a 48-month hedge horizon. All transactions are monitored by PSEG Enterprise Risk Management Back-Office operations ("PSEG Back-Office") for compliance; PSEG Back-Office generates and distributes hedge position reports daily, weekly, and monthly to LIPA's PRMC.
- Hedge transactions are triggered based on a time or value trigger protocol that has been established with an independent third-party hedge advisor. Time-trigger transactions allow for the accumulation of minimum required volume hedge levels under all price environments. Value-triggered transactions allow for the accumulation of additional hedge levels based on lower decile pricing levels of value versus four-year historical pricing. In

addition, volumes associated with Board-approved Purchase Power Agreements ("PPAs") having fixed prices, and LIPA's 18% ownership of Nine Mile Point 2 are included as part of the hedged volume. Currently, the PRMC has set a maximum hedge level limit of 85%.

- No hedges exceed a term of seventy-two months, and the net hedge position does not exceed 90% of projected fuel and purchased power requirements, meeting the requirements of the Policy.

The Policy states that the Program shall "Achieve appropriate risk mitigation and is not for purposes of financial speculation."

- All transactions are based on PRMC Approved projected fuel and power requirements associated with LIPA Board-approved annual sales forecast. Specific power supply component volumes are also validated against historical actual consumption data. Each hedge transaction is reviewed by PSEG Enterprise Risk Management's Middle-Office group ("PSEG Middle-Office") for compliance with the PRMC-approved LIPA Hedge Plan, which is part of the LIPA Policies, Controls and Procedures Manual for Power Supply Hedging Program ("Manual").

The Policy states that the Program shall "Provide transparency regarding LIPA's commodity risk management activities and the results of such activities."

- PSEG ER&T, PSEG Back-Office, and PSEG Middle-Office provide to the PRMC staff on a daily, weekly, and monthly basis a hedge transaction report, hedge position report, and position valuation report. In addition, the following table identifies several other required reports to the PRMC and LIPA's F&A Committee, their distribution and reporting frequency, and the originator of the reports.

Report	**Distribution**	**Normal Frequency**	**Originator**
Trading Activity Summary	PRMC Traders	Daily Weekly	Front Office Middle Office
Position Report	PRMC Traders	Weekly	Middle Office
Credit Risk Exposure Reports	PRMC Traders	Weekly	PSEG Credit Risk Management
PRMC Meeting Minutes	PRMC	As Meetings are Held	PRMC Designated Secretary
Benchmarking	PRMC	Quarterly	Independent third-party hedge advisor
Power Supply Hedging Program	Board Finance & Audit Committee	Bi-annually	PSEG ER&T
Annual Compliance Report	Board Finance & Audit Committee	Annually	CEO or Designee

The Policy requires that "LIPA's Chief Executive Officer shall appoint a Power Supply Risk Management Committee ("PRMC") consisting of at least three LIPA staff, two of which must be drawn from LIPA senior management. The PRMC will establish, maintain, and monitor processes and controls, the conduct of LIPA's Power Supply Hedging Program, and the activities of its Service Provider, PSEG Energy Resource and Trade ("PSEG ER&T"). The key provisions of the PRMC's activities shall include":

"Oversight and ensuring that all Program activities conducted by LIPA and PSEG ER&T are in accordance with the Board Policy."

- LIPA's CEO has established a PRMC in compliance with the Board Policy. All active participants of the Power Supply Hedging Program are required to read and comply with the PRMC Approved Policies, Controls and Procedures Manual for Power Supply Hedging Program, which incorporates the Board Policy. All active participants are required to certify compliance with the Manual and Policy by executing the Yearly Certification of Compliance with Risk Management Policy and Procedures Form.

"Determining LIPA's tolerance for exposure to fuel and purchased power price movements and power supply cost volatility considering the costs of limiting such exposure."

- The PRMC has approved a Manual for the hedging Program that establishes LIPA's tolerance for exposure to fuel and purchased power price movements. The PRMC has established minimum and maximum hedging limits by time period as well as collateral posting limits.

- The cost of the hedging Program is evaluated each day in the form of mark-to-market value of the positions and stress testing collateral exposure potential of all positions executed to limit PSC volatility.

"Addressing all risk factors that are demonstrably quantifiable, actionable and material to the Program."

- The PRMC-approved Manual specifically identifies authorized markets and delivery points, permissible hedge instruments, and the terms and volumes available for hedging to reduce PSC volatility. Within the Manual, there is also a specific LIPA Hedge Plan that addresses the PSC hedge components that are quantifiable, actionable and there is market liquidity available to hedge the required products and delivery points (i.e., natural gas, gas basis, power, power basis).

"Establishing risk boundaries consistent with such tolerances and evaluating allowable financial and physical instruments in executing the Program."

- The PRMC-approved Manual specifically identifies authorized markets, delivery points, permissible hedge instruments, terms, and volumes associated with hedging to reduce PSC

volatility. Within the Manual, there is also a specific LIPA Hedge Plan which addresses the minimum and maximum hedge levels by time-period – consistent with utility peers.

"Establishing appropriate processes and protocols to review and monitor counterparty credit worthiness on a regular basis."

- The Manual identifies specific procedures carried out by PSEG Credit Risk Management on behalf of LIPA for managing and monitoring counterparty credit risk on an on-going basis. PSEG Credit Risk Management provides the PRMC with a credit report each week as noted above.

"Monitoring Commodity Futures Trading Commission rulemaking and all other regulatory and legal requirements to ensure that LIPA is taking all actions required to maintain compliance with respect to any transactions under the Power Supply Hedging Program."

- PSEG ER&T, PSEG Corporate Legal department and LIPA's internal and outside counsel monitor Commodity Futures Trading Commission regulatory rulemaking to determine what actions, if any, LIPA is required to undertake to assure continued compliance.

Enterprise Risk Management Discussion

The Board has adopted a policy on Enterprise Risk Management ("ERM"). Enterprise risks are brought to the Board's attention throughout the year. Currently, there are two risks related to the Policy, one is related to volatility and the other with transition to a new service provider.

Risk #1: "Ineffective management of excessive fuel and purchased power market price volatility could result in an increase to the power supply charge, cause poor customer perception, and a negative reputational impact".

This risk is rated as a medium level risk for LIPA. To mitigate this risk LIPA maintains a PRMC which approves a defined hedging strategy and meets monthly to review LIPA hedge plan compliance and benchmarking, trading details and performance. LIPA currently contracts out the daily responsibilities of trading to PSEG's ER&T, which separates the front and middle office responsibilities. In addition, the PSEG Credit Risk Management staff monitors counterparty credit and publishes any potential exposures.

LIPA staff reviews all hedges and maintains a Daily Hedge Transaction Review Log to ensure hedge transactions were completed accurately, timely and in compliance with the LIPA Hedge Plan. LIPA's Daily Hedge Transaction Log is also reviewed periodically by LIPA's Internal Audit Department.

Risk #2: "Failure to completely and effectively transition to the new PSMFM Service Provider, The Energy Authority ("TEA") by December 31st, 2025, could result in significantly higher transition costs, inadequate generation system dispatch, higher fuel and power costs, which would increase the Power Supply Charge and negatively impact customers."

This risk is rated as a medium level risk for LIPA. To mitigate this risk TEA, PSEG ER&T and LIPA have created function-specific working groups that meet weekly to guide a timely transition of roles and responsibilities including complete cut-over to TEA. Risks to fully and successfully transitioning all responsibilities by the contract end date are identified and mitigated through these working groups.

LIPA staff believe both risks are being effectively managed; noting with the successful transition to TEA this risk will be removed in 2026.

Annual Review of the Policy

The Policy was last amended by the Board pursuant to Resolution No. 1493, dated September 25, 2019, at which time the Policy was significantly updated. LIPA Staff has completed its annual review of the Policy and has suggested minor amendments to the Policy including: (i) certain other minor word changes; (ii) adding Appendix #1 at the end of Policy to note the PSMFM Service Provider. All proposed amendments are more particularly shown on **Exhibit "B."**

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution
Exhibit "B" Policy (redline)

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD POLICY ON THE POWER SUPPLY HEDGING PROGRAM

WHEREAS, the Board Policy on the Power Supply Hedging Program (the "Policy") was originally approved by the Board of Trustees by Resolution No.1352, dated March 29, 2017; and

WHEREAS, the Policy was last reviewed by the Board in November 2022; and

WHEREAS, the Finance and Audit Committee (the "Committee") of the Board of Trustees (the "Board") has conducted an annual review of the Policy and has recommended that the Policy has been complied with, and that the proposed amendments to the Policy are due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby approves the annual report on the Policy and finds that LIPA has complied with the Policy for the period since the last annual review; and

BE IT FURTHER RESOLVED, the Board hereby approves the amendments to the Policy more particular show on **Exhibit "B"** to the accompanying memorandum.

Dated: May 22, 2025

Exhibit "B"

Board Policy:	**Power Supply Hedging Program**
Policy Type:	**Operating Policies**
Monitored by:	**Finance and Audit**
Board Resolution:	**#1352, approved March 29, 2017** **#1429, amended September 27, 2018** **#1493, amended September 25, 2019** #xxxx, amended **May 22, 2025**

Board Policy on Power Supply Hedging Program

The Long Island Power Authority's ("LIPA") objective for a Power Supply Hedging Program (the "Program") is to mitigate a portion of the volatility of purchased power and fuel commodity costs in a programmatic and reasonable way, and to provide greater stability in power supply costs for LIPA's customers. ~~Electric utilities are exposed to volatile commodity prices in the normal conduct of their operations. The costs to either purchase and deliver fuel to produce electricity in power plants or to purchase power from other suppliers are recovered from the Long Island Power Authority's ("LIPA") customers at cost through a Power Supply Charge that changes each month.~~ An effective commodity hedging program ~~provides LIPA's customers with greater stability in power supply costs and~~ is a utility best practice to help achieve the above objective.

~~It is the policy of the Board of Trustees for~~ LIPA shall ~~to~~ maintain a Power Supply Hedging Program ~~(the "Program") that~~with the following key provisions:

- Create a Power Supply Risk Management Committee, for which Committee members will be appointed at the discretion of LIPA's Chief Executive Officer.~~Mitigates a portion of the volatility of power supply costs in a programmatic and reasonable way on behalf of LIPA's customer-owners;~~
- ~~Is~~ E~~e~~xecute~~d~~ the Program using financial derivatives and physical supply and delivery contracts with a net position not to exceed 90% ~~for a portion~~ of LIPA's projected fuel and purchased power requirements. Hedge positions shall not have a term in excess of seventy-two (72) months without the prior approval of the Finance and Audit Committee of the Board. ~~purchases, provided, however that:~~
- ~~the net hedge position does not exceed 90% of projected fuel and purchased power needs;~~
- ~~the term of any such hedge does not exceed ten years without the prior approval of the Board or a term in excess of seventy-two (72) months without the prior approval of the Finance and Audit Committee of the Board;~~
- The hedge Program should a~~A~~chieve~~s~~ appropriate risk mitigation and is not for purposes of financial speculation~~;~~ and
- p~~P~~rovide~~s~~ transparency regarding LIPA's commodity risk management activities and results.

LIPA's Chief Executive Officer shall appoint the members of a Power Supply Risk Management Committee ("PRMC") consisting of at least three other LIPA staff, two of which must be drawn from LIPA senior management. The PRMC will establish, maintain,

and monitor processes and controls, the conduct of LIPA's Power Supply Hedging Program, and the activities of its contracted Power Supply Management-Fuel Management External Service Provider ("PSMFM Service Provider"). ~~, PSEG Energy Resource and Trade ("PSEG ER&T").~~ The key provisions of the PRMC's activities shall include:

- Oversight and ensuring that all Program activities conducted by LIPA and its external PSMFM Service Provider ~~PSEG ER&T~~ are in accordance with the Board Policy;
- Determining LIPA's tolerance for exposure to fuel and purchased power price movements and power supply cost volatility considering the costs of limiting such exposure;
- Addressing all risk factors that are demonstrably quantifiable, actionable, and material to the ~~p~~Program;
- Establishing risk boundaries consistent with such tolerances and evaluating allowable financial and physical instruments in executing the Program;
- Establishing appropriate processes and protocols to review and monitor counterparty credit worthiness on a regular basis; and
- Monitoring Commodity Futures Trading Commission rule making and all other regulatory and legal requirements to ensure that LIPA is taking the actions required to maintain compliance with respect to any transactions under the Program.

The ~~PSEG ER&T~~ PSMFM Service Provider will report to the Finance and Audit Committee of the Board ~~Finance &Audit Committee~~ biannually on the Program. Additionally, the Chief Executive Officer, or his or her designee, will provide an annual compliance report on the Program to the Finance and Audit Committee.

Appendix #1: Board Policy on Power Supply Hedging Program - PSMFM Service Provider

As of 1/1/2015: PSEG Energy Resources and Trade

BOARD POLICY ON TAXES AND PILOTS

September 27, 2023

LIPA
Long Island Power Authority

BOARD POLICY ON TAXES AND PILOTS

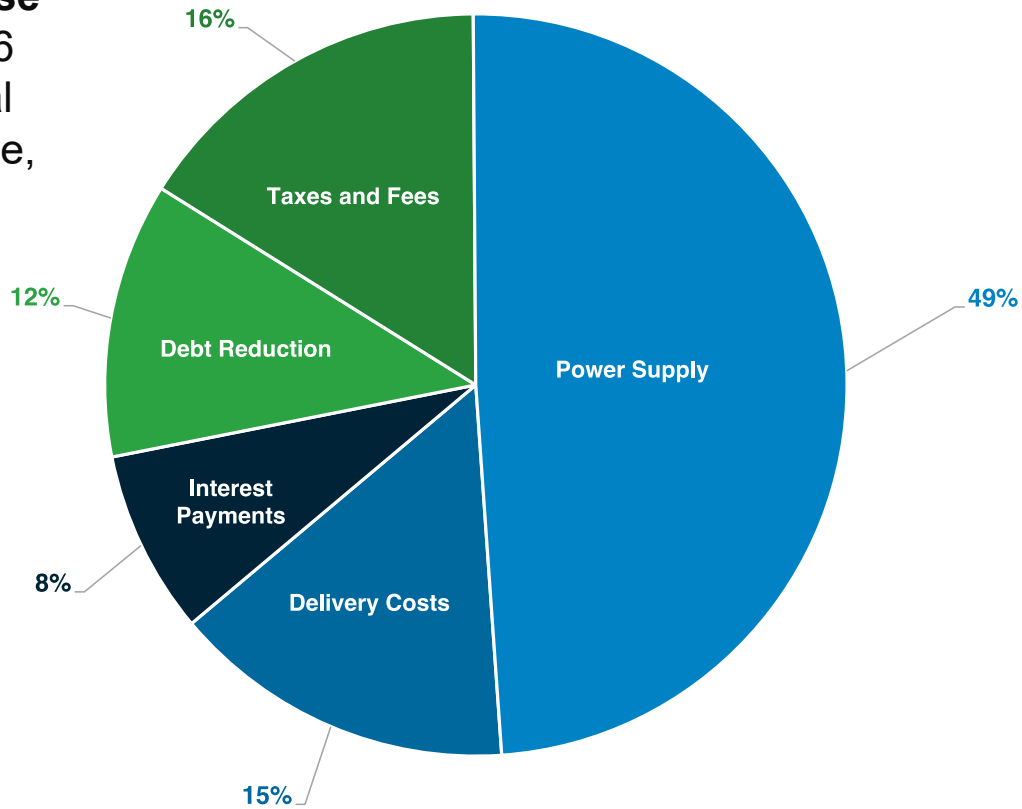
- Pay only such taxes, payments in-lieu-of taxes (PILOTs), assessments, and fees as are required by law or by agreement to reduce excessive cost for customers;
- LIPA to avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by LIPA's customer-owners in other jurisdictions; and
- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.

All Board Policies can be found here.

YEARLY COST TO CUSTOMERS

Taxes were **LIPA's second-largest expense** at $715 million in 2022, or approximately 16 percent of customer bills – 2.5x the national average and 2x the New York State average, including:

- **$168 million** for four power plants
- **$41 million** for all other power plants
- **$300 million** for transmission and distribution PILOT payments
- **$146 million** for sales taxes
- **$44 million** for revenue-based taxes
- **$16 million** for State assessments



Taxes are 16% of Customer Bills – 2.5x National Average

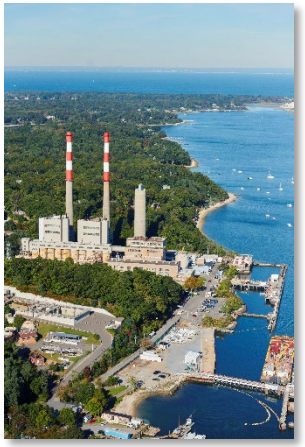
WORKING TOWARDS A FAIR COMPROMISE

- Four legacy steam power plants (Port Jefferson, Northport, E.F. Barrett, and Glenwood Landing) were once the workhorses of the Long Island electric grid but use dated technology and operate at low annual capacity factors.
- The Glenwood Landing steam turbines were retired in 2012. The other three plants are expected to retire within the next five to ten years as New York transitions to an entirely fossil-free electric grid.
- LIPA has worked for over a decade to obtain fair assessments on the plants.

TAX CERTIORARI TIMELINE

2010

LIPA Commences Tax Certiorari Litigation



December 2018

SETTLEMENT
Town of Brookhaven & Village of Port Jefferson Settlement for Port Jefferson Power Plant

September 2020

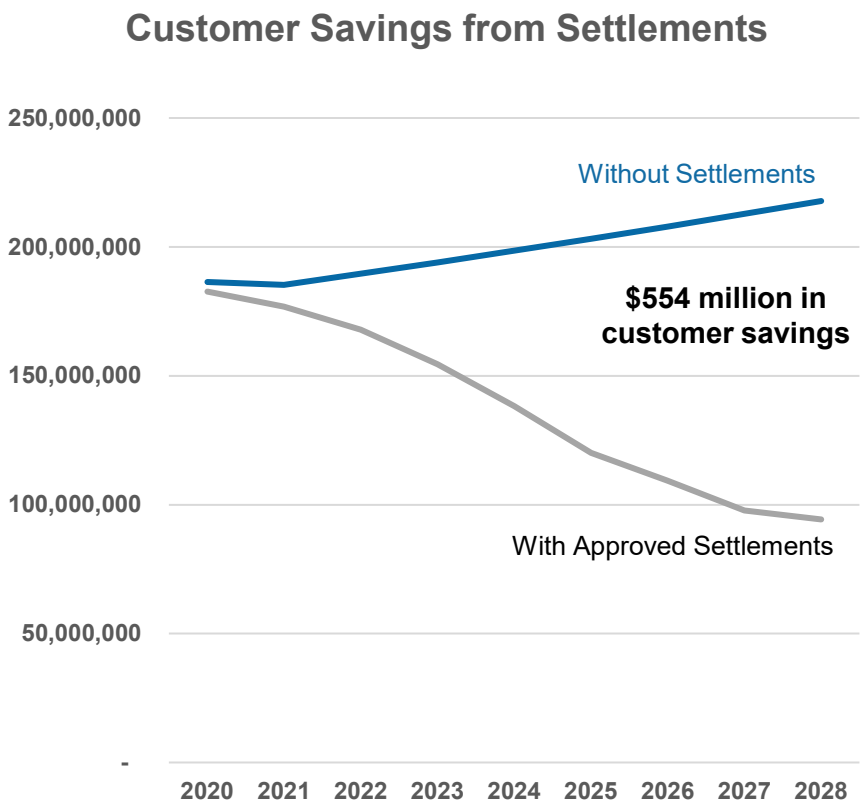
SETTLEMENT
Town of Huntington Settlement for Northport Power Plant

April 2022

SETTLEMENT
Nassau County Settlement for E.F. Barrett and Glenwood Power Plants

REACHING A FAIR COMPROMISE: SETTLEMENTS

- ✓ Three settlements have been approved for the Northport and Port Jefferson power plants.
- ✓ The Nassau County settlement approved by the county legislature and the court for the E.F. Barrett and Glenwood Landing power plants went into effect in 2022.
- ✓ As part of the settlements, LIPA waived over $1 billion in tax refund liabilities potentially owed by the Towns of Huntington & Brookhaven, the Village of Port Jefferson, and Nassau County.
- ✓ LIPA customers will save approximately $554 million in property tax payments for these four facilities through 2028.
- ✓ While tax payments remain in excess of that required by law, the settlements will continue to support host communities as they adjust to lower taxes.



ADDITIONAL ACTIVITIES

In 2023, LIPA will:

- Continue to defend against certain Suffolk County municipalities' refusal to comply with the 2% cap on LIPA's PILOT payments, while it awaits oral argument on LIPA's appeal of the court decision ordering LIPA to make additional payments.
    - The City of New York and Nassau County comply with the 2% tax cap.
- Continue to monitor tax bills for overassessments of LIPA substations and file challenges as appropriate to seek fair tax bills.

FOR CONSIDERATION
September 27, 2023

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of Approval of the Annual Report and Amendments on the Board Policy on Taxes and PILOTs

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) finding that LIPA has complied with the Board Policy on Taxes and PILOTs[1] (the "Policy"); (ii) approving the annual report for the Policy; and (iii) approving amendments to the Policy, which resolution is attached hereto as **Exhibit "A"**.

Background

The Board originally adopted the Policy in September 2016, and the last annual review of the Policy was adopted by the Board in May 2022.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy for the period since the last review.

The Policy provides that LIPA should "Pay only such taxes, PILOTs, assessments, and fees as are required by law or by agreement."

- Long Island power plants are nationally recognized as among the highest-taxed commercial properties in the United States. The excessive tax burden on power plants results in higher operational costs that disadvantage Long Island plants compared to the competitive prices of power in the regional electric markets. As such, since 2010, LIPA has availed itself of the lawful right to challenge excessive payment obligations on four legacy power plants.

- In November 2018, LIPA entered into settlement agreements with the Town of Brookhaven and the Village of Port Jefferson to gradually reduce the taxes on the Port Jefferson power plant by 50 percent through 2027. If the taxing jurisdictions continue to fulfill the terms of the settlements, LIPA will waive a refund for back tax years estimated at over $225 million, plus interest. LIPA subsequently revised its agreements with the Village of Port Jefferson and the Town of Brookhaven, consistent with the agreement reached for the Northport Power Station, discussed below.

[1] The term "PILOT" is the abbreviation for Payment In Lieu of Taxes.

- In November 2020, LIPA entered into a settlement with the Town of Huntington and the Northport-East Northport School District for the Northport Power Station. The settlement will reduce LIPA's annual property tax payments by 47% of 2020 levels by 2027. If the taxing jurisdictions continue to fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over $650 million, plus interest. In addition, LIPA will make a total of $3 million and $14.5 million in payments to the Town and school district, respectively, in exchange for their discontinuing appeals of the court's ruling in a related case that LIPA is entitled to challenge the plant's assessments.

- In February 2022, LIPA entered into a settlement agreement with Nassau County for the E.F. Barrett and Glenwood Landing generating stations to gradually reduce taxes on those plants by 47% through 2027. That settlement was approved by the Nassau County Legislature in April 2022, and it was approved by the court in May 2022. If the taxing jurisdictions fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over $700 million, plus interest. In addition, LIPA will make a total of $9 million and $3.25 million in payments to the Island Park and North Shore Central school districts in exchange for their discontinuing appeals of the court's ruling that LIPA is entitled to challenge its tax assessments.

- LIPA and PSEG Long Island have implemented procedures to ensure that PILOTs on each annual bill related to transmission and distribution equipment do not exceed 102% of the prior calendar year's payment, consistent with the provisions of the LIPA Reform Act.

- LIPA continues to defend itself in litigation challenging the 2% PILOT cap on transmission and distribution property in certain Suffolk County jurisdictions. On April 1, 2021, a court in Suffolk County ruled that (1) LIPA's properties acquired from LILCO are not exempt from real property taxation for tax years 2014/15 through 2019/20 by reason of LIPA's failure to timely challenge the unlawful assessment as non-exempt, taxable properties by the Town Assessors during those tax years; and (2) compelling LIPA to pay over to Suffolk County the alleged unpaid real property taxes levied against the transmission and distribution properties for tax years 2014/15 through 2019/20, with interest and penalties in the amount of approximately $66.7 million (with the potential addition of up to $30 million per year in the event of an adverse result on appeal). In October 2021, a judgment was entered for the 2014/15 through 2020/21 tax years. LIPA has appealed that judgment. The appeal has been fully briefed, and we are awaiting the scheduling of oral argument. Enforcement of the judgment is stayed pending the appeal.

  In July 2023, Suffolk County filed an additional lawsuit against LIPA and certain Suffolk County towns seeking to have LIPA pay to the County alleged shortfalls in property tax payments for the 2021/22 tax year. This action is a continuation of the issues in the above-described litigation for the 2021/22 tax year with regard to five of the 10 Suffolk towns.

  In addition, in 2022, LIPA filed petitions to the towns in Suffolk County to mark LIPA's properties as exempt. Certain towns have marked the properties exempt but have not issued bills that conform to the 2% cap on LIPA PILOT increases. Other towns have not acted on LIPA's petitions. In July 2023, LIPA filed motions for summary judgment against the five Suffolk towns that have not acted on LIPA's petitions. Those motions are

pending before the court.

The Policy provides that LIPA should "Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by the Authority's customer-owners in other jurisdictions."

- As previously reported to the Board, LIPA has undertaken a review of substations across the service territory. The review found several substations that were assessed in excess of their value. Accordingly, LIPA began filing challenges on several over-assessed substations, and in 2022 it achieved a settlement with Nassau County with regard to four over-assessed substations. In 2023, LIPA filed assessment challenges on additional substations that it has determined to be over-assessed. LIPA will continue to monitor and challenge, where appropriate, assessed valuations of substations.

The Policy provides that LIPA should "Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills."

- LIPA Staff regularly meets with media, stakeholders, and local leaders to discuss the impact of taxes on energy bills.

- LIPA Staff also provides updates to LIPA's Community Advisory Board on tax reduction efforts across the service territory.

Annual Review of the Policy

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in various meetings to develop and draft amendments to the Policy. The draft amendments to the Policy have been shared with the entire Board. The final version of the amended Policy, as drafted by the Trustees, is attached hereto as Exhibit "B".

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution
Exhibit "B" Board Policy on Taxes and PILOTs (redline)
Exhibit "C" Board Policy on Taxes and PILOTs (clean)

Exhibit "A"

RESOLUTION APPROVING THE REPORT AND AMENDMENTS ON THE BOARD POLICY ON TAXES AND PILOTs

WHEREAS, the Board Policy on Taxes and PILOTs (the "Policy") was originally approved by the Board of Trustees by Resolution No. 1320, dated September 21, 2016; and

WHEREAS, the Board adopted the last annual review of the Policy in May 2022; and

WHEREAS, the Finance and Audit Committee (the "Committee") has conducted an annual review of the Policy and recommends that the Board find that the Policy has been complied with and that the proposed changes to the Policy and due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in **Exhibit "B"** are hereby approved.

Dated: September 27, 2023

Exhibit "B"

Board Policy:	**Taxes and PILOTs**
Policy Type:	**Operating ~~Policies~~**
Monitored by:	**Finance and Audit Committee**
Board Resolution:	**#1320, approved September 21, 2016** **#1464, amended January 23, 2019** **#xxxx, amended September xx, 2023**

Board Policy on Taxes and PILOTs

~~It is the policy of the~~The Long Island Power Authority's ("LIPA") vision for payment of its taxes and payments in-lieu-of taxes ("PILOT") obligation is to~~:~~

~~Pay~~ pay only such taxes, ~~payments in-lieu-of taxes ("~~PILOTs~~")~~, assessments, and fees as are required by law or by agreement in an effort to provide service at an affordable level while still taking into account the needs of LIPA's municipal partners. ~~-~~In doing so, LIPA will:

- Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to lower customer costs ~~-~~and to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by ~~the Authority's~~ LIPA's customer-owners in other jurisdictions.

- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.

The Chief Executive Officer (or his designee) is hereby authorized to enter into any agreements that advance the Board's Policy on Taxes and PILOTs, including but not limited to agreements to make payments to municipalities and taxing jurisdictions to offset reductions in tax revenues due to settlements of any LIPA tax or PILOT challenges.[1]

The Chief Executive Officer will promptly report any settlement or related agreements to the Board and will report annually to the Finance and Audit Committee on compliance with the provisions of the Policy.

[1] ~~The Authority~~LIPA's Bylaws authorize the Chief Executive Officer (or his designee) to sign contracts, agreements and other documents on the Authority's behalf. This includes the authority to enter into agreements with municipalities and taxing jurisdictions to obtain reductions in the Authority's taxes, PILOTs, assessments, and fees, either paid directly or through contracts with the owners of power plants.

Exhibit "C"

Board Policy:	**Taxes and PILOTs**
Policy Type:	**Operating**
Monitored by:	**Finance and Audit Committee**
Board Resolution:	**#1320, approved September 21, 2016** **#1464, amended January 23, 2019** **#xxxx, amended September xx, 2023**

Board Policy on Taxes and PILOTs

The Long Island Power Authority's ("LIPA") vision for payment of its taxes and payments in-lieu-of taxes ("PILOT") obligation is to pay only such taxes, PILOTs, assessments, and fees as are required by law or by agreement in an effort to provide service at an affordable level while still taking into account the needs of LIPA's municipal partners. In doing so, LIPA will:

- Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to lower customer costs and to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by LIPA's customer-owners in other jurisdictions.

- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.

The Chief Executive Officer (or his designee) is hereby authorized to enter into any agreements that advance the Board's Policy on Taxes and PILOTs, including but not limited to agreements to make payments to municipalities and taxing jurisdictions to offset reductions in tax revenues due to settlements of any LIPA tax or PILOT challenges.[1]

The Chief Executive Officer will promptly report any settlement or related agreements to the Board and will report annually to the Finance and Audit Committee on compliance with the provisions of the Policy.

[1] LIPA's Bylaws authorize the Chief Executive Officer (or his designee) to sign contracts, agreements and other documents on the Authority's behalf. This includes the authority to enter into agreements with municipalities and taxing jurisdictions to obtain reductions in the Authority's taxes, PILOTs, assessments, and fees, either paid directly or through contracts with the owners of power plants.

FOR CONSIDERATION
June 23, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of the Approval of the Annual Report and Amendments to the Board Policy on Staffing and Employment

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Requested Action

The Board of Trustees of the Long Island Power Authority (the "Board") is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, LIPA (collectively "LIPA") have complied with the Board Policy on Staffing and Employment (the "Policy"); (ii) approving the annual report for the Policy, and (iii) approving certain minor edits to the Policy, which resolution is attached hereto as **Exhibit "A."**

Background - Board Policy on Staffing and Employment

By Resolution No. 1338, dated January 25, 2017, the Board adopted the Policy with the purpose of fostering a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization. The Board last reviewed and amended the Policy on June 24, 2020.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual report.

The Policy requires the Board "Appoint and, if necessary, discharge the CEO; evaluate the performance of and determine the compensation of the CEO; and with the advice of the CEO, appoint the other Board-appointed Officers specified in the LIPA's By-laws."

- The Board completed the CEO's annual performance evaluation at its March 2021 Board meeting. The CEO's performance evaluation was prepared by the Chair of the Governance, Planning and Personnel Committee with the assistance of a third-party human resources consultant and 360-degree anonymous feedback from all Trustees as well as LIPA's management Executive Committee.
- The Board reviewed the salary of LIPA's CEO of $311,121. A survey of 21 public power utilities of similar size to LIPA found an average salary for the position of $505,847 with a range of $254,000 to $1.1 million. LIPA was the third largest utility, ranked by customers, to participate in the survey. LIPA's CEO salary was ranked 19 out of the 21 utilities.

- One Board-appointed Officer, Chief Financial Officer Tamela Monroe, was hired in 2020.

The Policy authorizes and directs the Chief Executive Officer to:

"Manage the organization and staffing, including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization"; and "Maintain staffing at the minimum level necessary to ensure that the Authority meets its obligations with respect to its bonds and notes and all applicable statutes and contracts and oversight of its service provider."

- The CEO affirms that he has managed LIPA's staffing levels at the minimum level necessary to execute the Authority's goals and mission.
- LIPA staff consists of 59 full-time employees and five part-time employees.

The Policy directs the CEO to "develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion…including: (a) an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities…(b) a Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee…and (c) a record retention policy that complies with applicable New York State laws and regulations."

- The Employee Handbook includes all components required by the Policy, comports with all applicable law, and is regularly updated to incorporate changes in human resources best practice. The Handbook is revised and updated as necessary on an ongoing basis.
- All employees certified their compliance with the Code of Ethics and Conduct.
- LIPA maintains a Record Retention policy that applies to all LIPA records including:
    - records related to the Authority's subsidiary, Long Island Lighting Company d/b/a LIPA and d/b/a Power Supply Long Island;
    - records provided by its Service Providers, vendors, and contractors; and
    - records generated, kept, and maintained on behalf of the Utility Debt Securitization Authority.

The Policy directs the CEO to "Establish and administer compensation practices and benefits for the Authority's staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual's knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to the Authority's mission and values." The Policy contains further guidance on such practices.

- The Director of Human Resources and Administration completed an annual salary benchmarking analysis for all staff positions using industry specific and national salary data. That benchmarking analysis is consistent with the criteria provided in the Board's Policy and was used to establish a salary range for each position.
- LIPA has an active performance appraisal and enhancement system that includes monthly

"check-ins" with supervisors and an annual performance evaluation. As required by the Policy, individual employee performance and contribution are considered in setting salaries and merit increases.

The Policy directs the CEO to "refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation that exceeds the range set for the position by a benchmarking survey, without Board approval." and "unless authorized in writing by the CEO, employment at the Authority shall be on an at will basis."

- All LIPA employees are at-will employees.
- No employment offer exceeded the salary range set for the position.

The Policy directs the CEO to "Establish policies and programs that support and encourage the personal and professional development of employees, including: programs for continuing education, tuition reimbursement, and professional development; core skills continuing education; performance appraisal and enhancement; management and leadership training; and utility and public power industry learning."

- LIPA provides in-house training and development program for employees that includes certain leadership and management training seminars and programs including classes and certificate programs provided by eCornell; time management courses and seminars; Executive Presentation Skills classes; Strategies for Successful Remote Work Arrangements; Leading Virtual Teams; Diversity and Inclusion seminars including Creating Cultures of Belonging, Dialogue on Systemic Racism, Diversity Equity and Inclusion, and Uncovering Unconscious Bias and Microinequities; multiple health and wellness lunch and learn lectures; Cyber Security training; and coaching and seminars regarding providing effective feedback, performance excellence and creating employee development plans, among other opportunities.
- LIPA further encourages professional development through: (i) industry webinars, conferences, and training; (ii) reimbursement of professional certifications and memberships; (iii) educational assistance programs; and (iv) a personal development program that incorporates 360-degree feedback, among other initiatives.

The Policy requires LIPA to "conduct an annual engagement survey and utilize the results to design programs and initiatives to maintain an annual employee engagement score among the top 10 percent of benchmarked companies."

- LIPA conducted the annual engagement survey in December 2020, and survey results place LIPA's score above industry and top company benchmarks and among the top 10% of all benchmarked companies.
- LIPA's engagement score continues to increase year over year.
- The survey questionnaire was augmented in 2020 to include additional items measuring the concepts of diversity and inclusion.

Lastly, the Policy directs the CEO to "maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to the operations of the Authority."

- The CEO has identified the names and order of appointment of three direct reports to serve as Acting Chief Executive Officer in the event of his absence, disability, incapacity or resignation, until such time as the Board appoints an interim or permanent successor, as provided for in the LIPA By-Laws.

- LIPA's Senior Vice Presidents and Chief Officers have designated emergency successors to serve in an Acting capacity, as required by internal LIPA policy.

- The Board is briefed in Executive Session, at least annually, on the succession plan by the CEO.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management ("ERM"). Enterprise Risks are brought to the Board's attention throughout the year. While there are several risks related to Staffing and Employment, the most significant risks relate to succession planning and attracting and retaining qualified staff. The specific risks identified are:

- "Succession planning challenges due to the organizational structure which requires specialized knowledge and has limited tiers of talent behind each leadership position results in inadequate expertise to fulfill LIPA's mission and goals"; and

- "Difficulty attracting and retaining individuals with the necessary knowledge, skillsets, and experience results in challenges to fulfilling LIPA's mission and goals".

The succession planning risk is rated as a medium level risk. LIPA mitigates this risk by having emergency plans in place for the CEO and executive management positions, and a continuing initiative to identify and address gaps. Additionally, LIPA has a process in place to assist with the identification, retention, and transfer of information necessary to retain institutional knowledge. Succession planning has been an area of focus for the Board and staff has reported on succession planning initiatives to the Governance Personnel and Planning Committee during 2021.

In prior years, the attraction and retention of qualified staff risk had been a medium level risk. However, with the successful attraction of key personnel, LIPA has reduced this risk to a low-level concern. LIPA continues to mitigate the attraction and retention risk through review of best practices related to compensation and benefits. Additionally, LIPA selectively utilizes executive search firms to identify candidates with the necessary knowledge and experience to fill key positions. LIPA's participation and leadership in industry associations also improves its reputation and attractiveness to potential employees.

Based on the mitigation actions that are currently in place, we believe both risks are being adequately managed.

Proposed Changes to the Board Policy

The Board Policy has been revised to address certain minor suggested edits. These edits are reflected in **"Exhibit "B."**

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution
Exhibit "B" Staffing and Employment Policy (redline)
Exhibit "C" Staffing and Employment Policy (clean)

Exhibit "A"

RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON STAFFING AND EMPLOYMENT

WHEREAS, the Staffing and Employment Policy (the "Policy") was originally approved by the Board of Trustees by Resolution No. 1338, dated January 25, 2017; and

WHEREAS, the Policy was last reviewed and amended by the Board on June 24, 2020; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and the changes to the Policy recommended herein are due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in attachment **Exhibit "B"** are hereby approved.

Dated: June 23, 2021

Exhibit "B"

Board Policy:	**Staffing and Employment**
Policy Type:	**Operating Policy**
Monitored by:	**Governance, Planning and Personnel Committee**
Board Resolution:	**#1338, approved January 25, 2017** **#1435, amended October 24, 2018** **#1485, amended July 24, 2019** **#1538, amended June 24, 2020** **#XXX, amended June 23, 2021**

Board Policy on Staffing and Employment

It is the policy of the Long Island Power Authority ("LIPA") to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical ~~and~~, productive, and accountable workplace. In furtherance of these goals, the Board of Trustees:

- Appoints and, if necessary, discharges the Chief Executive Officer ("CEO");
- Evaluates the performance of and determines the compensation of the CEO[1];
- With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA's By-laws[2].

Furthermore, the Board of Trustees authorizes and directs the CEO to:

- Manage LIPA's organization and staffing, including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization;
- Maintain staffing at the minimum level necessary to ensure that LIPA meets its obligations with respect to its bonds and notes, statutes, contracts, and oversight of its service provider;

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[1] The Board annually evaluates the CEO's performance by comparing: (i) the LIPA's performance to the policies established by the Board, and (ii) the skills of the CEO to the competency profile established for the position. The Board periodically reviews the CEO's compensation using a benchmarking survey. The CEO's cost-of-living adjustments ("COLA"), if any, are tied to performance. If the CEO's performance "meets expectations", the COLA equals the rate of inflation. If the CEO "significantly exceeds expectations", the COLA equals the rate of inflation plus one percent. If the CEO's performance is "outstanding," the COLA equals the rate of inflation plus two percent.

[2] Pursuant to LIPA's By-laws, the Board-appointed Officers include the Chief Executive Officer, the Chief Financial Officer, and the General Counsel. The Chief Executive Officer may appoint such other Officers as he or she may from time to time deem necessary or desirable.

- Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion, meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment, including:

  a. Employee ~~Handbook~~Policies that ~~provides~~provide guidance to employees regarding their rights, benefits, and responsibilities and that address: ~~addresses:~~

     - diversity and equal employment opportunity;
     - the Americans with Disabilities Act and reasonable accommodations;
     - intolerance for workplace bullying and harassment;
     - domestic violence and prevention of violence in the workplace;
     - timekeeping practices;
     - vacation, sick time and other benefits, including family and medical leave;
     - internal transfers and promotions;
     - reasonable travel and expense reimbursement;

  b. a Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee; and

  c. a record retention policy that complies with applicable New York State laws and regulations.

- Establish and administer compensation practices and benefits for LIPA's Staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual's knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to LIPA's mission and values. In addition, LIPA will establish salary ranges for each position that are informed by:
  - compensation and benefits of employees with similar skills at utilities of similar size and complexity;
  - an appropriate balance of compensation practices among public and private organizations;
  - industry and regional cost-of-living trends;
  - the ability to recruit qualified personnel for a position;
  - individual employee performance and contribution; and
  - a process that permits an employee to appeal in writing any compensation decision resulting from a performance evaluation.

- Refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation to new hires that exceeds the range set for the position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment shall be on an at-will basis.
- Establish policies and programs that support and encourage the personal and professional development of employees, including:

- programs for continuing education and tuition reimbursement;
- core skills continuing education;
- performance appraisal and enhancement;
- management and leadership training; and
- utility and public power industry learning.

- Conduct an annual engagement survey and utilize the results to design programs and initiatives to maintain an annual employee engagement score among the top 10 percent of benchmarked companies.

- Maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to ~~the~~LIPA's operations~~ of the Authority~~.

The CEO will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of this Policy.

Exhibit "C"

Board Policy:	**Staffing and Employment**
Policy Type:	**Operating Policy**
Monitored by:	**Governance, Planning and Personnel Committee**
Board Resolution:	**#1338, approved January 25, 2017** **#1435, amended October 24, 2018** **#1485, amended July 24, 2019** **#1538, amended June 24, 2020** **#XXXX, amended June 23, 2021**

Board Policy on Staffing and Employment

It is the policy of the Long Island Power Authority ("LIPA") to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical, productive, and accountable workplace. In furtherance of these goals, the Board of Trustees:

- Appoints and, if necessary, discharges the Chief Executive Officer ("CEO");
- Evaluates the performance of and determines the compensation of the CEO[1];
- With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA's By-laws[2].

Furthermore, the Board of Trustees authorizes and directs the CEO to:

- Manage LIPA's organization and staffing, including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization;
- Maintain staffing at the minimum level necessary to ensure that LIPA meets its obligations with respect to its bonds and notes, statutes, contracts, and oversight of its service provider;

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[1] The Board annually evaluates the CEO's performance by comparing: (i) the LIPA's performance to the policies established by the Board, and (ii) the skills of the CEO to the competency profile established for the position. The Board periodically reviews the CEO's compensation using a benchmarking survey. The CEO's cost-of-living adjustments ("COLA"), if any, are tied to performance. If the CEO's performance "meets expectations", the COLA equals the rate of inflation. If the CEO "significantly exceeds expectations", the COLA equals the rate of inflation plus one percent. If the CEO's performance is "outstanding," the COLA equals the rate of inflation plus two percent.

[2] Pursuant to LIPA's By-laws, the Board-appointed Officers include the Chief Executive Officer, the Chief Financial Officer, and the General Counsel. The Chief Executive Officer may appoint such other Officers as he or she may from time to time deem necessary or desirable.

- Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion, meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment, including:

  a. Employee Policies that provide guidance to employees regarding their rights, benefits, and responsibilities and that address:
     - diversity and equal employment opportunity;
     - the Americans with Disabilities Act and reasonable accommodations;
     - intolerance for workplace bullying and harassment;
     - domestic violence and prevention of violence in the workplace;
     - timekeeping practices;
     - vacation, sick time and other benefits, including family and medical leave;
     - internal transfers and promotions;
     - reasonable travel and expense reimbursement;

  b. a Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee; and

  c. a record retention policy that complies with applicable New York State laws and regulations.

- Establish and administer compensation practices and benefits for LIPA's Staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual's knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to LIPA's mission and values. In addition, LIPA will establish salary ranges for each position that are informed by:
  - compensation and benefits of employees with similar skills at utilities of similar size and complexity;
  - an appropriate balance of compensation practices among public and private organizations;
  - industry and regional cost-of-living trends;
  - the ability to recruit qualified personnel for a position;
  - individual employee performance and contribution; and
  - a process that permits an employee to appeal in writing any compensation decision resulting from a performance evaluation.

- Refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation to new hires that exceeds the range set for the position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment shall be on an at-will basis.
- Establish policies and programs that support and encourage the personal and professional development of employees, including:
  - programs for continuing education and tuition reimbursement;
  - core skills continuing education;

- performance appraisal and enhancement;
- management and leadership training; and
- utility and public power industry learning.

- Conduct an annual engagement survey and utilize the results to design programs and initiatives to maintain an annual employee engagement score among the top 10 percent of benchmarked companies.

- Maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to LIPA's operations.

The CEO will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of this Policy.

FOR CONSIDERATION
January 28, 2026
TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Annual Report on the Board Policy on Public Policy Transmission Planning

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The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Public Policy Transmission Planning ("the Policy"); and (ii) finding that LIPA has complied with the Policy, which resolution is attached as **Exhibit "A."**

Background

The Board originally adopted the Policy on Public Policy Transmission Planning in May 2018. The Policy was last amended on June 24, 2020.

In March 2021, the New York Public Service Commission ("PSC") declared that increasing Long Island's interconnections with New York City and Westchester County is a Public Policy Transmission Need ("PPTN") driven by the interconnection of offshore wind[1]. Thereafter, the New York Independent System Operator ("NYISO") solicited proposals for transmission projects to satisfy the Long Island Offshore Wind Export PPTN ("LI PPTN") and selected he Propel T-51 project. The Propel T051 project consists of three new 345 kV submarine cables crossing the Long Island Sound, as well as several new underground 345 kV cables within the LIPA system and associated upgrades to existing 138 kV lines. While the LI PPTN construction is underway, NYISO commenced the start of its 2024-25 public policy transmission planning cycle on August 31, 2024. LIPA and PSEG Long Island evaluated potential needs beyond those being addressed by the LI PPTN solicitation and determined that an additional PPTN could not reasonably be ascertained until after the Coordinated Grid Planning Process is completed.

Recent Developments

In August 2024, NYISO commenced the start of its 2024-2025 public policy transmission planning cycle. LIPA and PSEG Long Island evaluated potential public policy transmission needs on Long Island beyond those being addressed by the LI PPTN solicitation and determined that it is premature to identify an additional PPTN at this time.

LIPA reviewed the proposals and did not recommend identification of further transmission needs for the Long Island Transmission District beyond those already selected under the 2020-2021 Public Policy Solicitation Process. On June 22, 2023, the PSC identified the Climate

[1] Case 20-E-0497, In the Matter of New York Independent System Operator, Inc.'s Proposed Public Policy Transmission Needs for Consideration for 2020 (issued March 18, 2021).

Leadership and Community Protection Act ("CL&CPA") as a public policy requirement ("PPR") driving the need for transmission to deliver at least 4,770 MW of Off-Shore Wind ("OSW") to New York City. NYISO solicited and began to evaluate 28 proposed transmission solutions addressing this PPTN ranging from $7.9 B to $23.9B. On January 20, 2025, the US President issued an executive order directing federal agencies to halt off-shore wind permitting activities, and subject permitted projects in development to further but indefinite review. On July 17, 2025, the PSC withdrew the NYC PPTN citing consequent uncertainty about the ability of new OSW and associated transmission to be permitted at this time. They left open the possibility of a new PPTN when there is "sufficient certainty in the development timeline for offshore wind to justify investing in transmission facilities."[2]

The next PPTN process will begin in August 2026.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and recommends no change at this time.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of the resolution in the form attached hereto as **Exhibit "A."**

Attachment

Exhibit "A" Resolution

[2] Case 22-E-0633 – In the Matter of New York Independent System Operator, Inc. Proposed Public Policy Trasmssion Needs for Consideration for 2022. Order Withdrawing Public Policy Transmission Need – Page 16.

Exhibit "A"

RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON PUBLIC POLICY TRANSMISSION PLANNING

WHEREAS, the Board Policy on Public Policy Transmission Planning ("the Policy") was originally approved by Resolution No. 1414, dated May 23, 2018; and

WHEREAS, the Policy was last amended by Resolution No. 1540, dated June 24, 2020; and

WHEREAS, the Board of Trustees has conducted an annual review of the Policy and affirms that the Policy has been complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board of Trustees hereby finds that the Long Island Power Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: January 28, 2026

FOR CONSIDERATION
March 25, 2026

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Approval of: (i) the Annual Investment Report for 2025; and (ii) the 2026 Investment Guidelines (the "Board Policy on Investments")

Requested Action

The Board of Trustees (the "Board") is requested to adopt a resolution approving: (i) LIPA's Annual Investment Report for 2025 in the form attached hereto as **Exhibit "B"**; and (ii) the 2026 Board Policy on Investments in the form attached hereto as **Exhibit "C"**.

Annual Investment Report for 2025

Section 2925 of the Public Authorities Law ("PAL") requires that LIPA annually review and approve an investment report. LIPA's investments are either: (i) managed by an investment manager in primarily short-term, highly liquid investments; or (ii) invested in broad-based, low-cost equity and fixed-income mutual funds. All investments of LIPA funds are governed by the Board Policy on Investments. LIPA's investments were compliant with the terms and conditions of the Policy for 2025 and performed consistently with LIPA Staff's expectations, given the nature of the investments.

2026 Board Policy on Investments

The Board is also required by Section 2925(6) of the PAL to annually review and approve the Board Policy on Investments, which details the Board's operative instructions to LIPA Staff regarding the investing, monitoring, and reporting of LIPA funds. The Board Policy on Investments was last reviewed and approved in March 2025. LIPA Staff has reviewed the Board Policy on Investments, which is attached hereto as **Exhibit "C,"** and recommends no material modifications for 2026.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution
Exhibit "B" 2025 Annual Investment Report
Exhibit "C" 2026 Board Policy on Investments

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL INVESTMENT REPORT FOR 2025 AND THE 2026 BOARD POLICY ON INVESTMENTS

RESOLVED, that the Board of Trustees hereby approve the Annual Investment Report for the period ended December 31, 2025, in the form presented at this meeting; and

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approve and adopt the Board Policy on Investments in the form presented at this meeting to be effective immediately.

Dated: March 25, 2026

Exhibit "B"

ANNUAL INVESTMENT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2025

Table of Contents

Section I	Annual Investment Report
Section II	Investment Policy
Section III	Auditors' Report
Section IV	Income Summary

The Long Island Power Authority

Investment Report

SECTION I

Annual Investment Report

LONG ISLAND POWER AUTHORITY
ANNUAL INVESTMENT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025

1. Investment Policy and Amendments Since Prior Year Investment Report

   LIPA's Investment Policy incorporates the investment requirements of New York State, LIPA's General Bond Resolution, and the Nuclear Decommissioning Trust Agreements. The Investment Policy was last approved by the Board of Trustees on March 26, 2025. These guidelines have been reviewed, and no changes have been made for the current year.

   The Policy details LIPA's guidelines with respect to the purchase and sale of investments and specifies the procedures for monitoring, maintaining, accounting for and reporting of such investments. The Policy is attached in Section II.

2. Result of Annual Audit

   The "Independent Accountant's Report on Investment Compliance" issued by LIPA's auditors, KPMG LLP, is attached hereto in Section III.

3. Investment Income Record

   Attached hereto in Section IV is a summary of LIPA's investment income for the year ended December 31, 2025, totaling approximately $77 million dollars.

4. Total Fees, Commissions, or Other Charges Paid to Investment Bankers, Brokers, Agents, Dealers and Advisors Rendering Investment Associated Services

   The majority of LIPA's investments are managed through the services of an investment manager who provides cash management and investment advisory services. The fees for such services are based upon the average daily amortized cost basis of the investments under management each month and are paid monthly. For the year ended December 31, 2025, LIPA paid approximately $163,000 in connection with these services. Additionally, custodial services for

the investments are provided by a custodial bank. Fees for these custodial services are based upon the average daily market value of the investments held during the quarter and are paid quarterly. For the year ended December 31, 2025, LIPA paid approximately $59,000 in connection with these services.

Other short-term investments are held in accounts with investment institutions and commercial banks. It is general practice in the financial community for these institutions to include the commission or transaction fee, if any, in their purchase price or to charge an investment fee that is netted from the income of the investment.

There were no other fees or charges to investment bankers, agents, dealers, or advisors in connection with investment activities for the year ended December 31, 2025.

The Long Island Power Authority

Investment Report

SECTION II

Investment Policy

Adopted March 26, 2025

2025 Investment Policy

Board Policy:	INVESTMENT POLICY
Policy Type:	Operating
Monitored by:	Finance and Audit Committee
Board Resolution:	Approved March 26, 2025

TABLE OF CONTENTS

1. **OVERVIEW OF INVESTMENT POLICY 3**
1.1. Purpose and Scope 3
1.2. Definitions 3
1.3. Management of Investment Program 4
2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT 4
2.1. Investment Objectives 4
2.2. Permitted Investments 4
2.3. Diversification, Ratings and Maturity of Investments Reference Table 8
2.4. Prohibited Investment Vehicles 9
2.5. Downgrades 9
2.6. Process for Obtaining Approval for Exceptions 9
2.7. Nuclear Decommissioning Trust Funds & Other Post-Employment Benefits Account 10
3. OPERATING PARAMETERS AND CONTROLS 10
3.1. Authorized Officers and Employees 10
3.2. Competitive Selection 10
3.3. Annual Investment Audit 10
3.4. Written Contracts and Confirmations 11
3.5. Safekeeping and Custody 11
3.6. Internal Controls 12
3.7. Notification Concerning Violations of Investment Policy 12
4. QUALIFIED FINANCIAL INSTITUTIONS 12
4.1. Qualifications for Brokers, Dealers and Agents 12
4.2. Qualifications for Investment Advisors/Managers 13
4.3. Qualifications for Custodial Banks 13
4.4. Ongoing Disclosure 13
4.5. Affirmative Action 13
5. REPORTING 14
5.1. Management Reporting 14
5.2. Performance Reporting 14

6. APPLICABILITY 15

7. BANK AUTHORIZATION 15

APPENDIX A - OPERATING PROCEDURES & CONTROLS {MANUAL) 16

APPENDIX B - NDTF INVESTMENT PROVISIONS 19

APPENDIX C - OTHER POST-EMPLOYMENT BENEFIT ACCOUNT INVESTMENT PROVISIONS 20

1. OVERVIEW OF INVESTMENT POLICY

1.1. Purpose and Scope

This policy sets forth instructions to the officers and staff of the Long Island Power Authority ("LIPA" or the "Authority") with regard to investments of monies of LIPA and its subsidiary and the monitoring and reporting of such investments. The Policy is intended to meet the provisions of the Public Authorities Law ("PAL") Section 2925, the Office of the State Comptroller's Investment Guidelines for Public Authorities contained in 2 New York Codes, Rules and Regulations ("NYCRR") Part 201, Section 201.3, the provisions of LIPA's enabling legislation, and the parameters established by LIPA's Financing Documents. This Policy has been adopted by, and can only be changed by, the Board of Trustees.

1.2. Definitions

"LIPA" or the "Authority" means the Long Island Power Authority, a corporate municipal instrumentality of the State of New York, established pursuant to Chapter 517 of the Laws of 1986 of the State of New York.

"Eligible Banking Institution" means any commercial bank or financial institution whose long-term unsecured debt securities are rated A- or better by S&P, A3 or better by Moody's, or A- or better by Fitch, and having its principal office within the State, as authorized by the Board of Trustees by Resolution on May 18, 2016.

"Financing Documents" means the Electric System General Bond Resolution, adopted May 13, 1998 (the "General Bond Resolution"); the Electric System General Subordinated Revenue Bond Resolution, adopted May 20, 1998 ("Subordinated Bond Resolution"); the Amended and Restated Credit Agreement, dated as of March 17, 2022 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 16, 2027 related to Electric System General Revenue Notes, Series 2019 A; any agreement with the issuer of any Credit Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution); and any Liquidity Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution), in each case as the same may be amended and supplemented from time to time.

"Investment Funds" means monies and financial resources available for investment by LIPA and its subsidiary.

"Investment Securities" means any or all the investment obligations described in Section 2.2 hereof.

"Rating Agencies" means Standard and Poor's Global Ratings (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch).

"State" means the State of New York.

1.3. Management of Investment Program

1.3.1. Delegation of investment Authority

The responsibility for implementing the investment program is delegated to the Chief Financial Officer. The Chief Financial Officer directs LIPA's investment activities through the Director of Finance and Treasury or the Manager of Treasury.

Investments shall be made in accordance with this policy, including the Operating Procedures and Controls, which are attached as Appendix A. LIPA's governing body and management are responsible for making investment decisions for the Authority and for doing so with the judgment, care, skill, prudence and diligence under the circumstances then prevailing that a knowledgeable and prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All LIPA staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in LIPA's ability to effectively fulfill its responsibilities. All participants in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

1.3.2. Annual Review and Approval

LIPA staff involved in the investment process shall review the Investment Policy on an annual basis, or more frequently as required, and shall submit the Investment Policy to the Authority's Finance and Audit Committee and Board of Trustees no less frequently than annually for review and approval as required by the PAL.

After any modifications to the Investment Policy, a revised policy must be distributed to Authority personnel on the approved distribution list and the Financial Institutions specified in Appendix A.

2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT

2.1. Investment Objectives

LIPA's investment objectives, listed in order of importance, are: to conform with all applicable legal and regulatory requirements; to adequately safeguard investment principal; to provide for portfolio liquidity; and to earn reasonable rates of return.

The investment objectives for the NDTF and OPEB Accounts (described below) are to conform with all applicable legal and regulatory requirements; to earn reasonable rates of return; and to provide for portfolio liquidity, as necessary.

2.2. Permitted Investments

LIPA, subject to the requirements of Section 3.5 of this Policy, may deposit monies with Eligible Banking Institutions, as separately authorized by the Board of Trustees by Resolution on May 18, 2016. Additionally, investments shall be limited to the following types of securities ("Permitted Investments"):

1. **U.S. Treasury & Government Guaranteed-** U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.

2. **Federal Agency/GSE** - Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).

3. **Supranational** - U.S. dollar denominated debt obligations of a multilateral organization of governments.

4. **Corporates and Other Debt Obligations-** U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity.

5. **Municipals-** Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or territory.

6. **Collateralized Investment Agreements** - Investment agreements or guaranteed investment contract with any financial institution that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period.

7. **Agency Mortgage Backed Securities-** Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs).

8. **Asset-Backed Securities** - Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases.

9. **Negotiable Bank Deposit Obligations** - Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state-chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution. *No new securities will be purchased in this sector.*

10. **Commercial Paper-** U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.

11. **Bankers' Acceptances-** Bankers' acceptances issued, drawn on, or guaranteed by a U.S. bank or U.S. branch of a foreign bank.

12. **Insured Bank Deposits** - Interest bearing time certificates of deposit, savings accounts or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC).

13. **Money Market Mutual Funds** - Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule2a-7.

14. **Floating Rate Notes** - Floating rate notes (FRNs) may be purchased as part of LIPA's Portfolio if the following criteria are met:

a. FRN rate resets no less frequently than quarterly;
b. FRN rate resets with a frequency that produces a close tracking with money market rates;
c. FRN is indexed to a money market rate such as, but not limited to, Federal Funds, Secured Overnight Financing Rate (SOFR) Treasury Bills or LIBOR and correlates very highly with overall changes in money market rates even under wide swings in interest rates;
d. Any interest rate cap is at least 10%; and
e. Director of Finance and Treasury, Manager of Treasury or the designated Investment Manager uses pricing services, pricing matrices or "theoretical" pricing models to calculate the market value of all FRNs held in the portfolio to value the portfolio holdings.

15. **Repurchase Agreements-** Permitted provided certain conditions are met:

a. The contract is fully secured by deliverable U.S. Government Obligations as described in Section 2.2.1 having a market value of at least one hundred two percent (102%) of the amount of the obligation's principal and accrued interest;
b. A written master repurchase agreement governs the transaction that outlines the basic rights of both buyer and seller, including:
   - events of default which would permit the purchaser to liquidate pledged collateral;
   - the relationship between parties to the agreement, which shall ordinarily be purchaser and seller;
   - method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses;
c. The repurchase agreement is transacted on a delivery or book entry versus payment basis;
d. The securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee; the Trustee shall have received written confirmation from such third party that it holds such securities free and clear of any lien as agent for the Trustee; and such third party is either
   - a Federal Reserve Bank, or
   - a bank which is a member of the Federal Reserve Bank or maintains an account with member banks to accomplish book-entry transfer f securities to the credit of the Authority and which (1) has combined capital and surplus of more than $1 billion, and (2) has a long-term debt rating of "A-" or higher by S&P and "A3" or higher by Moody's;
e. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;
f. The Investment Manager will value the collateral daily, and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
g. Substitutions of collateral will be permitted only with advance written approval of the Chief Financial Officer;

h. LIPA will only enter into repurchase agreements with reputable firms that have a short-term debt rating of "A-1" or higher by S&P and "P-1" or higher by Moody's and are:

- Broker dealers who are members of the National Association of Securities Dealers, listed on the Federal Reserve Bank of New York's list of primary government securities dealers, and have $25 billion in assets and $350 million in capital, or
- Banks or trust companies authorized to do business in the State of New York and have $5 billion in assets and $500 million in capital;
- No more than 20% or $50 million, whichever is less, of the Investment Funds will be invested with any single repurchase agreement counterparty; and

i. The repurchase agreement shall have a term not to exceed ninety days.

Permitted investments must be authorized if the moneys being invested are subject to a legal or other restriction that precludes such investment.

2.3. Diversification, Ratings and Maturity of Investments Reference Table

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement[1]	Maximum Maturity [6]
U.S. Treasury	100%	100%	N/A	5.5 Years (5.5 year avg. life[5] for GNMA)
GNMA		40%		
Other U.S. Government Guaranteed (e.g. AID, GTC)		10%		
Federal Agency/GSE: FNMA, FHLMC,FHLB, FFCB	75%	40%[4]	N/A	10 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. isa shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.5 Years
Corporates and other Debt Obligations	40%[2]	5%[3]	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/ A3 or equivalent)	5.5 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/ A3, or equivalent)	5.5 Years
Agency Mortgage-Backed Securities	25%	40%[4]	N/A	5.5 Year Avg. Life[5]
Asset-Backed Securities	20%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.5 Year Avg. Life[5]
Negotiable Certificates of Deposit (CD)[7]	50%[2]	5%[3]	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)	3 Years
Commercial Paper (CP)	50%[2]	5%[3]	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Collateralized Investment Agreements	50%	5%	Two Highest LT Rating Categories	5.5 Years
Bankers' Acceptances (BAs)	35%[2]	5%[3]	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Insured Bank Deposits	25%	FIDC limit for insurance	None, if fully FDIC-insured	2 Years
Floating Rate Notes			Should reflect the appropriate sector requirements	
Repurchase Agreements	40%	20%	Counterparty (or if the counterparty is not rated by an NRSRO, then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent) If the counterparty is a Federal Reserve Bank, no rating is required	90 Days
Government Money Market Funds	100%	100%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf,or equivalent)	N/A
Money Market Funds	100%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf,or equivalent)	N/A

Notes:

[1] Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.

[2] Maximum allocation to non-government securities is 75% combined.

[3] Maximum across all non-government permitted investment sectors is 5% combined per issuer.

[4] Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

[5] The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

[6] All investments shall mature or be redeemable no later than such times as shall be necessary to provide monies needed for payments to be made from any such fund or account. Unless otherwise noted, maturity limitation is measured from the transaction's settlement date.

[7] No new securities in this sector will be purchased.

2.4. Prohibited Investment Vehicles

LIPA is prohibited from investing in the investments or engaging in the practices listed below:

- Investment in Auction Rate Securities (ARS);
- Home equity ABS and reverse repurchase agreements;
- Short sales (selling a specific security before it has been legally purchased);
- Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
- Investment in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long- term indices;
- Investing in any security not specifically permitted by this Investment Policy (see process below for minor exceptions).

2.5. Downgrades

The Director of Finance and Treasury, Manager of Treasury or the designated Investment Manager(s) shall report any credit rating downgrade resulting in violation of the Investment Policy to the Chief Financial Officer within a reasonable period of learning of the downgrade, along with any recommended action. The Chief Financial Officer or Director of Finance and Treasury shall provide direction to the Manager of Treasury or the Investment Manager(s) within a reasonable period of the downgrade, which would generally be to liquidate any security that does not comport with the Investment Policy and Financing Documents at the time of the downgrade. Any direction to take an action other than to liquidate such security shall be reported to the Finance and Audit Committee of the Board of Trustees.

2.6. Process for Obtaining Approval for Exceptions

Approval for new instruments not listed herein shall be obtained from the Authority's Board of Trustees. The Board hereby authorizes minor exceptions (including ratings or diversification guidelines) to the Investment Policy with the immediate approval of the Chief Financial Officer and final approval by the Board of Trustees. Any such minor exceptions to the Investment Policy will be reported to the Finance and Audit Committee of the Board of Trustees. If the Board of

Trustees comes to the decision not to approve a minor exception the investment will be liquidated immediately.

2.7. Nuclear Decommissioning Trust Funds and OPEB Account

Sections 2.2, 2.3, 2.4 and 2.5 shall not govern the investment of the Nuclear Decommissioning Trust Funds (NDTF) for Nine Mile Point Unit 2 or the Other Post-Employment Benefits (OPEB) Account. Separate investment provisions are provided for the NDTF (Appendix B) and OPEB Account (Appendix C).

3. OPERATING PARAMETERS AND CONTROLS

LIPA has developed the following investment management controls to ensure that its assets are protected against loss, theft and misuse.

3.1. Authorized Officers and Employees

Investment decisions on behalf of the Authority shall be made by the Director of Finance and Treasury, Manager of Treasury or the external Investment Manager(s), under the supervision of the Chief Financial Officer.

3.2. Competitive Selection

For each transaction more than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA shall use competitive quotations. For each transaction equal to or less than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA may use either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except in the purchase of government securities at their initial auction or upon initial offering, and the most favorable quote accepted.

To the extent that LIPA invests in an SEC registered mutual fund or exchange traded fund whose investment objectives and policies are consistent with this Investment Policy, the selection of a no-load, open-end fund constitutes a competitive selection.

3.3. Annual Investment Audit

An annual independent audit of all investments will be performed by the external auditors. LIPA shall comply with all legal and regulatory requirements, including those mandated by the PAL, the NYCRR, the Financing Documents, and the Investment Policy. The Annual Investment Audit shall:

- Determine whether investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of LIPA's investment assets; and a system of adequate internal controls is maintained;

- Determine whether LIPA has complied with applicable laws, regulations, the State Comptroller's investment guideline requirements, such public authority accounting directives as may be issued by the State Comptroller, and the Investment Policy; and
- Be designed to the extent practical to satisfy both the common interest of LIPA and the public officials accountable to others.

The results of the Annual Investment Audit shall be set forth in a report submitted to the Chief Financial Officer, and to LIPA's Board of Trustees (the "Annual Investment Audit Report") which shall include without limitation:

- A description of the scope and objectives of the audit;
- A statement that the audit was made in accordance with generally accepted government auditing standards;
- A description of any material weakness found in the internal controls;
- A description of any non-compliance with LIPA's own investment policies as well as applicable laws, regulations, the State Comptroller's investment guideline requirements, and such public authority accounting directives as may be issued by the State Comptroller;
- A statement of positive assurance of compliance on the items tested;
- A statement on any other material deficiency or reportable condition as defined *by Governmental Auditing Standards* identified during the audit not covered above; and
- Recommendations, if any, with respect to amendment of this Investment Policy.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Authority's fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.

3.4. Written Contracts and Confirmations

A written contract and/or a written confirmation shall be required for each investment transaction. However, LIPA shall not be required to enter into a formal written contract if the Authority's oral instructions to its broker, dealer, agent, investment manager/advisor, or custodian with respect to such transactions are confirmed in writing or by written confirmation at the earliest practicable moment.

3.5. Safekeeping and Custody

All investment securities purchased by LIPA or held as collateral on deposits or investments shall be held by a third-party custodian who may not otherwise be a party to the investment transaction and with whom the Authority has a written custodial agreement. All securities shall be held in the name of the Authority and will be free and clear of any lien.

All investment transactions will be conducted on a delivery-vs.-payment basis. Payment for investments shall be made only upon receipt by the custodian of the physical security, or in the case of securities in book-entry form, when credited for the custodian's account, which shall be segregated for LIPA's sole use. The custodian shall issue a safekeeping receipt to LIPA listing the specific instrument, rate, maturity and other pertinent information. Monthly,

the custodian will also provide reports listing all securities held for the Authority, the book value of holdings, and the market value as of month-end.

The custodian may act on oral instructions from the Chief Financial Officer, the Director of Finance and Treasury, or the Manager of Treasury. Such instructions are to be confirmed in writing, within one business day, by an authorized signatory of LIPA.

Representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Authority shall be bonded in such a fashion as to protect LIPA from losses from malfeasance and misfeasance. If required by the Chief Financial Officer, appropriate Authority Officials may also be bonded in such a fashion.

All demand deposits, time deposits, and certificates of deposit shall be collateralized for amounts over and above Federal Deposit Insurance Corporation coverage. All collateral shall be Permitted Investments as set out in Section 2. There shall be a written custodial agreement that, among other things, specifies the circumstances under which collateral may be substituted. LIPA should not accept a pledge of a proportionate interest in a pool of collateral. The market value and accrued interest of collateral should, at least, equal the value of the investment and any accrued interest at all times. The recorded value of collateral backing any investment should be compared with current market values (mark-to-market) at the time of the initial investment and monthly thereafter to be certain that it continues to be at least equal to the value of the investment plus accrued interest. The mark-to-market reviews should use "bid" prices from a constant source. Negotiable Bank Deposit Obligations as defined in sections 2.2 and 2.3 of this policy are exempt from these collateral requirements.

3.6. Internal Controls

LIPA follows the operating procedures defined in Appendix A to control all Authority investment activity.

3.7. Notification Concerning Violations of Investment Policy

If this Investment Policy is violated, the Chief Financial Officer shall be informed immediately and advised of any corrective action that should be taken, as well as the implication of such action.

4. QUALIFIED FINANCIAL INSTITUTIONS

4.1. Qualifications for Brokers, Dealers and Agents

The Director of Finance and Treasury and/or LIPA's Investment Manager shall identify broker/dealers that are approved for investment purposes ("Qualified Institutions") and maintain a list of such approved dealers. Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- "Primary" dealers and regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule);
- Registered as a dealer under the Securities Exchange Act of1934;
- Member in good standing of the Financial Industry Regulatory Authority (FINRA);

- Registered to sell securities in the State; and
- The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) years.

When selecting trading partners, LIPA will also consider the firm's quality, size, reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transactions.

4.2. Qualifications for Investment Advisors/Managers

For the purpose of rendering investment management/advisory services to the Authority, LIPA may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

- Authorized to do business in the State as an investment manager/advisor; and
- Registered with the SEC under the Investment Advisor Act of 1940 or exempt from registration.

LIPA shall consider the firm's capitalization, quality, size and reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transaction.

4.3. Qualifications for Custodial Banks

To be eligible to hold Investment Securities purchased by LIPA or collateral securing its investments, a custodial bank shall be a member bank of the Federal Reserve System or maintain accounts with member banks of the Federal Reserve System to accomplish book-entry transfer of Investment Securities to the credit of the Authority. The custodian should not be the same party that is selling the Investment Securities. To be eligible to perform custodial services, the Chief Financial Officer, or his/her designee, must review the annual financial statements and credit ratings of the proposed custodian bank and based upon such review, affirmatively find that the proposed custodial bank is financially sound. Such determinations of creditworthiness shall be undertaken on a periodic basis as determined by the Chief Financial Officer.

4.4. Ongoing Disclosure

All brokers, dealers and other financial institutions described in sections 4.1, 4.2, and 4.3 shall be provided with current copies of the Authority's Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Authority has investment transactions.

4.5. Affirmative Action

Article 15-A of the Executive Law and 9 NYCRR Part 4.21 regarding affirmative action shall apply with respect to LIPA's investment activities. The Authority shall seek to use minority and women- owned financial firms in the conduct of LIPA's investment activities.

5. REPORTING

Management reporting is required by the Authority to track compliance with policy guidelines, assess the performance of the portfolio, and to inform appropriate management personnel.

5.1. Management Reporting

To manage the Investment Funds effectively and to provide management with useful information, it is necessary for the Director of Finance and Treasury to report reliable and timely information regarding the investment transactions that take place.

A Quarterly Management Report on the investment management program shall be prepared by the Manager of Treasury under the supervision of the Director of Finance and Treasury and presented to the Chief Financial Officer and LIPA's Board of Trustees, no more than 45 days after each quarter end. The Quarterly Management Report shall include:

- A portfolio inventory;
- Credit quality of each holding (or average credit quality of each fund);
- Duration {or average maturity) of each fund;
- Mark-to-market valuations on investments and collateral;
- A breakdown of the portfolio by counterparty; and
- Portfolio position against asset allocation target

An Annual Investment Report shall be prepared by the Manager of Treasury and submitted by the Chief Financial Officer to the Board of Trustees and filed with the State Division of the Budget, State Comptroller, State Senate Finance Committee, and Assembly Ways and Means Committee no more than 90 days after each year end. The Annual Investment Report may be a part of any other annual report that LIPA is required to make. The Annual Investment Report shall include the following:

- The Investment Policy is in compliance with Section 2925(3) of the Public Authorities Law and any amendments since last reported;
- An explanation of the Investment Policy and amendments;
- The results of the Annual Independent Audit (described in Section3.3);
- Investment income record of the Authority; and
- A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and manager/advisor rendering investment associated services to LIPA since the date of the last investment report.

5.2. Performance Reporting

Performance reporting shall be included in the Management Reports and should track performance relative to specified benchmarks and sector indices for the current period and year- to-date. The Director of Finance and Treasury and Chief Financial Officer will act on any weaknesses related to the management of the assets

6. APPLICABILITY

This Investment Policy shall govern all investments initiated by LIPA after March 26, 2025 and shall not apply to any investments initiated by the Authority on or prior to March 26, 2025. Nothing contained in these Investment Policy shall be deemed to alter, affect the validity of, modify the terms of, or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this Investment Policy.

7. BANK AUTHORIZATION

The Chief Executive Officer or any authorized designees[1] ("Authorized Persons") are authorized to deposit any LIPA funds in any commercial bank or financial institution whose long-term deposits are rated A- or better by Standard & Poor's Corporation, A3 or better by Moody's Investor Service, Inc. or A- or better by Fitch, Inc. (each such institution referred to herein as the "Bank"), either at its head office or at any of its branches.

Any LIPA funds deposited in the Bank may be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, wire transfers or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed, as applicable, on behalf of the Authority in accordance with the Financial Policies and Procedures of the Authority and its Service Provider by Authorized Persons.

[1] The Chief Executive Officer's designees under this Investment Policy shall include only persons permitted by the LIPA By-Laws, Article IV, Section 7(c) (Powers and Duties of the Chief Executive Officer) and Article VIII, Section 1 (Execution of Instruments), and any other applicable guidance or limitations provided by the LIPA Board of Trustees

APPENDIX A- OPERATING PROCEDURES AND CONTROLS (Manual)

A. Distribution of the Investment Policy

The policy and all subsequent amendments, revisions and updates shall be distributed to LIPA personnel per the approval of the Chief Financial Officer.

During the period in which LIPA retains investment manager(s), the investment manager(s) must also receive the Investment Policy and all amendments, updates, or revisions to insure compliance with the most current policy. Below is the distribution list matrix for the investment policy.

Distribution List	Frequency
Board of Trustees	As necessary
Chief Executive Officer	As necessary
Chief Financial Officer	As necessary
Director of Finance and Treasury	As necessary
Controller	As necessary
Investment Manager(s)	As necessary
General Counsel	As necessary
Manager of Treasury Operations	As necessary

B. Roles and Responsibilities in Executing the Investment Policy

The roles and responsibilities for investment management at the Authority rest primarily with the Director of Finance and Treasury and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

Roles	Responsibility	Frequency
Board of Trustees	▪ Final Approval of the policy ▪ Approval of exceptions to the policy (e.g. new investment types) ▪ Approval of revisions to the policy	▪ Annual ▪ As necessary ▪ As necessary
Chief Executive Officer	▪ Responsible for adherence to all Authority policies	▪ As necessary
Chief Financial Officer	▪ Approval of the policy ▪ Approval of investment strategy ▪ Approval of performance measurements ▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)	▪ Annual ▪ Annual ▪ Ongoing ▪ As necessary

Director of Finance and Treasury	▪ Serve as custodian of the policy ▪ Develop investment strategy ▪ Review investment strategy ▪ Establish performance measurements ▪ Distribution of policy and amendments ▪ Annual review of policy ▪ Oversight of investment activity ▪ Invest funds as provided for in the policy ▪ Review performance information ▪ Management reporting ▪ Collect performance information ▪ Distribute performance information ▪ Keep abreast of developments and notify the Chief Financial Officer, as needed	▪ Ongoing ▪ Annual ▪ Ongoing ▪ Ongoing ▪ As necessary ▪ Annual ▪ Ongoing ▪ Ongoing ▪ Monthly ▪ Quarterly ▪ Weekly ▪ Weekly ▪ Ongoing
Investment Manager(s)	▪ Develop investment strategy ▪ Review investment strategy ▪ Invest funds as provided for in the policy ▪ Reporting investment portfolio	▪ Annual ▪ Ongoing ▪ Ongoing ▪ Daily, Monthly, Quarterly

C. Segregation of Duties

LIPA requires adequate segregation of duties to prevent possible fraud, operational errors, misappropriation of funds, unauthorized trades, concealment of trades, and manipulation of accounting records. Personnel involved in risk monitoring activities should be segregated from risk taking (i.e. executing transactions).

Activity to be Performed	Segregation Level
Trade Execution	Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.
Trade Confirmation	Individuals who conduct confirmations should not execute transactions.
Settlement - Disbursing and Receiving Funds	Individuals who handle cash settlement on the trades should not execute the trades. Cash settlement shall be transacted by any one of the authorized Authority signatories who did not participate in the trade execution. Only one signature is required due to the nature of the transaction, i.e., transfer of assets between Authority accounts.
Account Reconciliation	Account reconciliation activities must be segregated from trade execution activities.

D. Management Reporting

Report	Contents	Audience	Frequency
Management Report	Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis	Chief Financial Officer, Board of Trustees	▪ Quarterly
Annual Investment Report	Investment Policy, explanation of Investment Policy & amendments, annual investment audit, annual investment income, total fees and commissions paid	Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)	▪ Annually

E. Operating Procedures

Operating procedures for the administration of LIPA's investment program should include the following:

- The establishment and maintenance of a system of internal controls;
- Each disbursement of funds (and corresponding receipt of Investment Securities) or delivery of Investment Securities (and corresponding receipt of funds) shall be based upon proper written authorization. If the authorization is initially given orally, there shall be documented confirmation from an authorized signatory of the Authority to the custodian;
- The process of initiating, reviewing and approving requests to buy and sell Investment Securities shall be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
- Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed, to the Authority. Delivery of obligations sold shall only be made upon receipt of funds; Custodial banks shall be required to report whenever activity has occurred in the Authority's custodial account;
- There shall be at least monthly verification of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared against the Authority's records;
- A record of investments shall be maintained. The records shall identify the Investment Security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and custodian of collateral;
- Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- A data base of records incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices, and related information necessary to manage the portfolio;
- Requirements for periodic reporting and a satisfactory level of accountability.

APPENDIX B - NDTF INVESTMENT PROVISIONS

NUCLEAR DECOMMISSIONING TRUST FUND
INVESTMENT PROVISIONS

To meet LIPA's objectives of funding future liabilities for the nuclear decommissioning obligations of the Authority's 18% share of Nine Mile Point Unit 2, while balancing long-term risk and return and providing reasonable diversification, the NDTF Account shall allocate assets in accordance with the targets for each asset class as follows:

Asset Class	Asset Weighting
Domestic Equity Mutual Funds	35%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds - Inflation Protected Securities	20%

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay's, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index[1] or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting.[2]

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or "sweep accounts" pending investment or for other reasons.

[1] Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

[2] LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.

APPENDIX C - OPEB ACCOUNT INVESTMENT PROVISIONS

OPEB ACCOUNT
INVESTMENT PROVISIONS

To meet LIPA's objectives of funding future contractual retirement benefit obligations while balancing long-term risk and return and providing reasonable diversification, the OPEB Account shall allocate assets in accordance with the targets for each asset class as follows:

Asset Class	Asset Weighting
Domestic Equity Mutual Funds	40%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds-Inflation Protected Securities	15%

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay's, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index[1] or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting[2].

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or "sweep accounts" pending investment or for other reasons.

[1] Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

[2] LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.

The Long Island Power Authority

Investment Report

SECTION III

Auditors' Report

TO BE INSERTED BY KPMG UPON LIPA BOARD APPROVAL

The Long Island Power Authority

Investment Report

SECTION IV

Income Summary

Long Island Power Authority
Investment Income
For the Year ended December 31, 2025

Operating Fund	$	8,730,754
Rate Stabilization Fund		8,041,160
Construction Fund I		2,575,562
Construction Fund II		1,142,419
System Resiliency		108,108
OPEB Account		27,877,475
Nuclear Decommissioning Trust Fund		7,324,462
Utility Debt Securitization Authority		8,230,734
Bank Account Interest		12,467,438
Miscellaneous		692,606
	$	**77,190,718**

Exhibit "C"

2026 Investment Policy

Board Policy:	INVESTMENT POLICY
Policy Type:	Operating
Monitored by:	Finance and Audit Committee
Board Resolution:	Approved March 25, 2026

TABLE OF CONTENTS

1. **OVERVIEW OF INVESTMENT POLICY 3**
1.1. Purpose and Scope 3
1.2. Definitions 3
1.3. Management of Investment Program 4
2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT 4
2.1. Investment Objectives 4
2.2. Permitted Investments 4
2.3. Diversification, Ratings and Maturity of Investments Reference Table 8
2.4. Prohibited Investment Vehicles 9
2.5. Downgrades 9
2.6. Process for Obtaining Approval for Exceptions 9
2.7. Nuclear Decommissioning Trust Funds & Other Post-Employment Benefits Account 10
3. OPERATING PARAMETERS AND CONTROLS 10
3.1. Authorized Officers and Employees 10
3.2. Competitive Selection 10
3.3. Annual Investment Audit 10
3.4. Written Contracts and Confirmations 11
3.5. Safekeeping and Custody 11
3.6. Internal Controls 12
3.7. Notification Concerning Violations of Investment Policy 12
4. QUALIFIED FINANCIAL INSTITUTIONS 12
4.1. Qualifications for Brokers, Dealers and Agents 12
4.2. Qualifications for Investment Advisors/Managers 13
4.3. Qualifications for Custodial Banks 13
4.4. Ongoing Disclosure 13
4.5. Affirmative Action 13
5. REPORTING 14
5.1. Management Reporting 14
5.2. Performance Reporting 14

6. APPLICABILITY 15

7. BANK AUTHORIZATION 15

APPENDIX A - OPERATING PROCEDURES & CONTROLS {MANUAL) 16

APPENDIX B - NDTF INVESTMENT PROVISIONS 19

APPENDIX C - OTHER POST-EMPLOYMENT BENEFIT ACCOUNT INVESTMENT PROVISIONS 20

1. OVERVIEW OF INVESTMENT POLICY

1.1. Purpose and Scope

This policy sets forth instructions to the officers and staff of the Long Island Power Authority ("LIPA" or the "Authority") with regard to investments of monies of LIPA and its subsidiary and the monitoring and reporting of such investments. The Policy is intended to meet the provisions of the Public Authorities Law ("PAL") Section 2925, the Office of the State Comptroller's Investment Guidelines for Public Authorities contained in 2 New York Codes, Rules and Regulations ("NYCRR") Part 201, Section 201.3, the provisions of LIPA's enabling legislation, and the parameters established by LIPA's Financing Documents. This Policy has been adopted by, and can only be changed by, the Board of Trustees.

1.2. Definitions

"LIPA" or the "Authority" means the Long Island Power Authority, a corporate municipal instrumentality of the State of New York, established pursuant to Chapter 517 of the Laws of 1986 of the State of New York.

"Eligible Banking Institution" means any commercial bank or financial institution whose long-term unsecured debt securities are rated A- or better by S&P, A3 or better by Moody's, or A- or better by Fitch, and having its principal office within the State, as authorized by the Board of Trustees by Resolution on May 18, 2016.

"Financing Documents" means the Electric System General Bond Resolution, adopted May 13, 1998 (the "General Bond Resolution"); the Electric System General Subordinated Revenue Bond Resolution, adopted May 20, 1998 ("Subordinated Bond Resolution"); the Amended and Restated Credit Agreement, dated as of March 17, 2022 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 16, 2027 related to Electric System General Revenue Notes, Series 2019 A; any agreement with the issuer of any Credit Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution); and any Liquidity Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution), in each case as the same may be amended and supplemented from time to time.

"Investment Funds" means monies and financial resources available for investment by LIPA and its subsidiary.

"Investment Securities" means any or all the investment obligations described in Section 2.2 hereof.

"Rating Agencies" means Standard and Poor's Global Ratings (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch).

"State" means the State of New York.

1.3. Management of Investment Program

1.3.1. Delegation of investment Authority

The responsibility for implementing the investment program is delegated to the Chief Financial Officer. The Chief Financial Officer directs LIPA's investment activities through the Director of Finance and Treasury or the Manager of Treasury.

Investments shall be made in accordance with this policy, including the Operating Procedures and Controls, which are attached as Appendix A. LIPA's governing body and management are responsible for making investment decisions for the Authority and for doing so with the judgment, care, skill, prudence and diligence under the circumstances then prevailing that a knowledgeable and prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All LIPA staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in LIPA's ability to effectively fulfill its responsibilities. All participants in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

1.3.2. Annual Review and Approval

LIPA staff involved in the investment process shall review the Investment Policy on an annual basis, or more frequently as required, and shall submit the Investment Policy to the Authority's Finance and Audit Committee and Board of Trustees no less frequently than annually for review and approval as required by the PAL.

After any modifications to the Investment Policy, a revised policy must be distributed to Authority personnel on the approved distribution list and the Financial Institutions specified in Appendix A.

2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT

2.1. Investment Objectives

LIPA's investment objectives, listed in order of importance, are: to conform with all applicable legal and regulatory requirements; to adequately safeguard investment principal; to provide for portfolio liquidity; and to earn reasonable rates of return.

The investment objectives for the NDTF and OPEB Accounts (described below) are to conform with all applicable legal and regulatory requirements; to earn reasonable rates of return; and to provide for portfolio liquidity, as necessary.

2.2. Permitted Investments

LIPA, subject to the requirements of Section 3.5 of this Policy, may deposit monies with Eligible Banking Institutions, as separately authorized by the Board of Trustees by Resolution on May 18, 2016. Additionally, investments shall be limited to the following types of securities ("Permitted Investments"):

1. **U.S. Treasury & Government Guaranteed-** U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.

2. **Federal Agency/GSE** - Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).

3. **Supranational** - U.S. dollar denominated debt obligations of a multilateral organization of governments.

4. **Corporates and Other Debt Obligations-** U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity.

5. **Municipals-** Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or territory.

6. **Collateralized Investment Agreements** - Investment agreements or guaranteed investment contract with any financial institution that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period.

7. **Agency Mortgage Backed Securities-** Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs).

8. **Asset-Backed Securities** - Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases.

9. **Negotiable Bank Deposit Obligations** - Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state-chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution. *No new securities will be purchased in this sector.*

10. **Commercial Paper-** U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.

11. **Bankers' Acceptances-** Bankers' acceptances issued, drawn on, or guaranteed by a U.S. bank or U.S. branch of a foreign bank.

12. **Insured Bank Deposits** - Interest bearing time certificates of deposit, savings accounts or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC).

13. **Money Market Mutual Funds** - Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule2a-7.

14. **Floating Rate Notes** - Floating rate notes (FRNs) may be purchased as part of LIPA's Portfolio if the following criteria are met:

a. FRN rate resets no less frequently than quarterly;
b. FRN rate resets with a frequency that produces a close tracking with money market rates;
c. FRN is indexed to a money market rate such as, but not limited to, Federal Funds, Secured Overnight Financing Rate (SOFR) Treasury Bills or LIBOR and correlates very highly with overall changes in money market rates even under wide swings in interest rates;
d. Any interest rate cap is at least 10%; and
e. Director of Finance and Treasury, Manager of Treasury or the designated Investment Manager uses pricing services, pricing matrices or "theoretical" pricing models to calculate the market value of all FRNs held in the portfolio to value the portfolio holdings.

15. **Repurchase Agreements-** Permitted provided certain conditions are met:

a. The contract is fully secured by deliverable U.S. Government Obligations as described in Section 2.2.1 having a market value of at least one hundred two percent (102%) of the amount of the obligation's principal and accrued interest;
b. A written master repurchase agreement governs the transaction that outlines the basic rights of both buyer and seller, including:
   - events of default which would permit the purchaser to liquidate pledged collateral;
   - the relationship between parties to the agreement, which shall ordinarily be purchaser and seller;
   - method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses;
c. The repurchase agreement is transacted on a delivery or book entry versus payment basis;
d. The securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee; the Trustee shall have received written confirmation from such third party that it holds such securities free and clear of any lien as agent for the Trustee; and such third party is either
   - a Federal Reserve Bank, or
   - a bank which is a member of the Federal Reserve Bank or maintains an account with member banks to accomplish book-entry transfer f securities to the credit of the Authority and which (1) has combined capital and surplus of more than $1 billion, and (2) has a long-term debt rating of "A-" or higher by S&P and "A3" or higher by Moody's;
e. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;
f. The Investment Manager will value the collateral daily, and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
g. Substitutions of collateral will be permitted only with advance written approval of the Chief Financial Officer;

h. LIPA will only enter into repurchase agreements with reputable firms that have a short-term debt rating of "A-1" or higher by S&P and "P-1" or higher by Moody's and are:

- Broker dealers who are members of the National Association of Securities Dealers, listed on the Federal Reserve Bank of New York's list of primary government securities dealers, and have $25 billion in assets and $350 million in capital, or
- Banks or trust companies authorized to do business in the State of New York and have $5 billion in assets and $500 million in capital;
- No more than 20% or $50 million, whichever is less, of the Investment Funds will be invested with any single repurchase agreement counterparty; and

i. The repurchase agreement shall have a term not to exceed ninety days.

Permitted investments must be authorized if the moneys being invested are subject to a legal or other restriction that precludes such investment.

2.3. Diversification, Ratings and Maturity of Investments Reference Table

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement[1]	Maximum Maturity [6]
U.S. Treasury	100%	100%	N/A	5.5 Years (5.5 year avg. life[5] for GNMA)
GNMA		40%		
Other U.S. Government Guaranteed (e.g. AID, GTC)		10%		
Federal Agency/GSE: FNMA, FHLMC,FHLB, FFCB	75%	40%[4]	N/A	10 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. isa shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.5 Years
Corporates and other Debt Obligations	40%[2]	5%[3]	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/ A3 or equivalent)	5.5 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/ A3, or equivalent)	5.5 Years
Agency Mortgage-Backed Securities	25%	40%[4]	N/A	5.5 Year Avg. Life[5]
Asset-Backed Securities	20%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.5 Year Avg. Life[5]
Negotiable Certificates of Deposit (CD)[7]	50%[2]	5%[3]	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)	3 Years
Commercial Paper (CP)	50%[2]	5%[3]	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Collateralized Investment Agreements	50%	5%	Two Highest LT Rating Categories	5.5 Years
Bankers' Acceptances (BAs)	35%[2]	5%[3]	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Insured Bank Deposits	25%	FIDC limit for insurance	None, if fully FDIC-insured	2 Years
Floating Rate Notes			Should reflect the appropriate sector requirements	
Repurchase Agreements	40%	20%	Counterparty (or if the counterparty is not rated by an NRSRO, then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent) If the counterparty is a Federal Reserve Bank, no rating is required	90 Days
Government Money Market Funds	100%	100%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf,or equivalent)	N/A
Money Market Funds	100%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf,or equivalent)	N/A

Notes:

[1] Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.

[2] Maximum allocation to non-government securities is 75% combined.

[3] Maximum across all non-government permitted investment sectors is 5% combined per issuer.

[4] Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

[5] The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

[6] All investments shall mature or be redeemable no later than such times as shall be necessary to provide monies needed for payments to be made from any such fund or account. Unless otherwise noted, maturity limitation is measured from the transaction's settlement date.

[7] No new securities in this sector will be purchased.

2.4. Prohibited Investment Vehicles

LIPA is prohibited from investing in the investments or engaging in the practices listed below:

- Investment in Auction Rate Securities (ARS);
- Home equity ABS and reverse repurchase agreements;
- Short sales (selling a specific security before it has been legally purchased);
- Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
- Investment in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long- term indices;
- Investing in any security not specifically permitted by this Investment Policy (see process below for minor exceptions).

2.5. Downgrades

The Director of Finance and Treasury, Manager of Treasury or the designated Investment Manager(s) shall report any credit rating downgrade resulting in violation of the Investment Policy to the Chief Financial Officer within a reasonable period of learning of the downgrade, along with any recommended action. The Chief Financial Officer or Director of Finance and Treasury shall provide direction to the Manager of Treasury or the Investment Manager(s) within a reasonable period of the downgrade, which would generally be to liquidate any security that does not comport with the Investment Policy and Financing Documents at the time of the downgrade. Any direction to take an action other than to liquidate such security shall be reported to the Finance and Audit Committee of the Board of Trustees.

2.6. Process for Obtaining Approval for Exceptions

Approval for new instruments not listed herein shall be obtained from the Authority's Board of Trustees. The Board hereby authorizes minor exceptions (including ratings or diversification guidelines) to the Investment Policy with the immediate approval of the Chief Financial Officer and final approval by the Board of Trustees. Any such minor exceptions to the Investment Policy will be reported to the Finance and Audit Committee of the Board of Trustees. If the Board of

Trustees comes to the decision not to approve a minor exception the investment will be liquidated immediately.

2.7. Nuclear Decommissioning Trust Funds and OPEB Account

Sections 2.2, 2.3, 2.4 and 2.5 shall not govern the investment of the Nuclear Decommissioning Trust Funds (NDTF) for Nine Mile Point Unit 2 or the Other Post-Employment Benefits (OPEB) Account. Separate investment provisions are provided for the NDTF (Appendix B) and OPEB Account (Appendix C).

3. OPERATING PARAMETERS AND CONTROLS

LIPA has developed the following investment management controls to ensure that its assets are protected against loss, theft and misuse.

3.1. Authorized Officers and Employees

Investment decisions on behalf of the Authority shall be made by the Director of Finance and Treasury, Manager of Treasury or the external Investment Manager(s), under the supervision of the Chief Financial Officer.

3.2. Competitive Selection

For each transaction more than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA shall use competitive quotations. For each transaction equal to or less than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA may use either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except in the purchase of government securities at their initial auction or upon initial offering, and the most favorable quote accepted.

To the extent that LIPA invests in an SEC registered mutual fund or exchange traded fund whose investment objectives and policies are consistent with this Investment Policy, the selection of a no-load, open-end fund constitutes a competitive selection.

3.3. Annual Investment Audit

An annual independent audit of all investments will be performed by the external auditors. LIPA shall comply with all legal and regulatory requirements, including those mandated by the PAL, the NYCRR, the Financing Documents, and the Investment Policy. The Annual Investment Audit shall:

- Determine whether investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of LIPA's investment assets; and a system of adequate internal controls is maintained;

- Determine whether LIPA has complied with applicable laws, regulations, the State Comptroller's investment guideline requirements, such public authority accounting directives as may be issued by the State Comptroller, and the Investment Policy; and
- Be designed to the extent practical to satisfy both the common interest of LIPA and the public officials accountable to others.

The results of the Annual Investment Audit shall be set forth in a report submitted to the Chief Financial Officer, and to LIPA's Board of Trustees (the "Annual Investment Audit Report") which shall include without limitation:

- A description of the scope and objectives of the audit;
- A statement that the audit was made in accordance with generally accepted government auditing standards;
- A description of any material weakness found in the internal controls;
- A description of any non-compliance with LIPA's own investment policies as well as applicable laws, regulations, the State Comptroller's investment guideline requirements, and such public authority accounting directives as may be issued by the State Comptroller;
- A statement of positive assurance of compliance on the items tested;
- A statement on any other material deficiency or reportable condition as defined *by Governmental Auditing Standards* identified during the audit not covered above; and
- Recommendations, if any, with respect to amendment of this Investment Policy.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Authority's fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.

3.4. Written Contracts and Confirmations

A written contract and/or a written confirmation shall be required for each investment transaction. However, LIPA shall not be required to enter into a formal written contract if the Authority's oral instructions to its broker, dealer, agent, investment manager/advisor, or custodian with respect to such transactions are confirmed in writing or by written confirmation at the earliest practicable moment.

3.5. Safekeeping and Custody

All investment securities purchased by LIPA or held as collateral on deposits or investments shall be held by a third-party custodian who may not otherwise be a party to the investment transaction and with whom the Authority has a written custodial agreement. All securities shall be held in the name of the Authority and will be free and clear of any lien.

All investment transactions will be conducted on a delivery-vs.-payment basis. Payment for investments shall be made only upon receipt by the custodian of the physical security, or in the case of securities in book-entry form, when credited for the custodian's account, which shall be segregated for LIPA's sole use. The custodian shall issue a safekeeping receipt to LIPA listing the specific instrument, rate, maturity and other pertinent information. Monthly,

the custodian will also provide reports listing all securities held for the Authority, the book value of holdings, and the market value as of month-end.

The custodian may act on oral instructions from the Chief Financial Officer, the Director of Finance and Treasury, or the Manager of Treasury. Such instructions are to be confirmed in writing, within one business day, by an authorized signatory of LIPA.

Representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Authority shall be bonded in such a fashion as to protect LIPA from losses from malfeasance and misfeasance. If required by the Chief Financial Officer, appropriate Authority Officials may also be bonded in such a fashion.

All demand deposits, time deposits, and certificates of deposit shall be collateralized for amounts over and above Federal Deposit Insurance Corporation coverage. All collateral shall be Permitted Investments as set out in Section 2. There shall be a written custodial agreement that, among other things, specifies the circumstances under which collateral may be substituted. LIPA should not accept a pledge of a proportionate interest in a pool of collateral. The market value and accrued interest of collateral should, at least, equal the value of the investment and any accrued interest at all times. The recorded value of collateral backing any investment should be compared with current market values (mark-to-market) at the time of the initial investment and monthly thereafter to be certain that it continues to be at least equal to the value of the investment plus accrued interest. The mark-to-market reviews should use "bid" prices from a constant source. Negotiable Bank Deposit Obligations as defined in sections 2.2 and 2.3 of this policy are exempt from these collateral requirements.

3.6. Internal Controls

LIPA follows the operating procedures defined in Appendix A to control all Authority investment activity.

3.7. Notification Concerning Violations of Investment Policy

If this Investment Policy is violated, the Chief Financial Officer shall be informed immediately and advised of any corrective action that should be taken, as well as the implication of such action.

4. QUALIFIED FINANCIAL INSTITUTIONS

4.1. Qualifications for Brokers, Dealers and Agents

The Director of Finance and Treasury and/or LIPA's Investment Manager shall identify broker/dealers that are approved for investment purposes ("Qualified Institutions") and maintain a list of such approved dealers. Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- "Primary" dealers and regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule);
- Registered as a dealer under the Securities Exchange Act of1934;
- Member in good standing of the Financial Industry Regulatory Authority (FINRA);

- Registered to sell securities in the State; and
- The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) years.

When selecting trading partners, LIPA will also consider the firm's quality, size, reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transactions.

4.2. Qualifications for Investment Advisors/Managers

For the purpose of rendering investment management/advisory services to the Authority, LIPA may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

- Authorized to do business in the State as an investment manager/advisor; and
- Registered with the SEC under the Investment Advisor Act of 1940 or exempt from registration.

LIPA shall consider the firm's capitalization, quality, size and reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transaction.

4.3. Qualifications for Custodial Banks

To be eligible to hold Investment Securities purchased by LIPA or collateral securing its investments, a custodial bank shall be a member bank of the Federal Reserve System or maintain accounts with member banks of the Federal Reserve System to accomplish book-entry transfer of Investment Securities to the credit of the Authority. The custodian should not be the same party that is selling the Investment Securities. To be eligible to perform custodial services, the Chief Financial Officer, or his/her designee, must review the annual financial statements and credit ratings of the proposed custodian bank and based upon such review, affirmatively find that the proposed custodial bank is financially sound. Such determinations of creditworthiness shall be undertaken on a periodic basis as determined by the Chief Financial Officer.

4.4. Ongoing Disclosure

All brokers, dealers and other financial institutions described in sections 4.1, 4.2, and 4.3 shall be provided with current copies of the Authority's Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Authority has investment transactions.

4.5. Affirmative Action

Article 15-A of the Executive Law and 9 NYCRR Part 4.21 regarding affirmative action shall apply with respect to LIPA's investment activities. The Authority shall seek to use minority and women- owned financial firms in the conduct of LIPA's investment activities.

5. REPORTING

Management reporting is required by the Authority to track compliance with policy guidelines, assess the performance of the portfolio, and to inform appropriate management personnel.

5.1. Management Reporting

To manage the Investment Funds effectively and to provide management with useful information, it is necessary for the Director of Finance and Treasury to report reliable and timely information regarding the investment transactions that take place.

A Quarterly Management Report on the investment management program shall be prepared by the Manager of Treasury under the supervision of the Director of Finance and Treasury and presented to the Chief Financial Officer and LIPA's Board of Trustees, no more than 45 days after each quarter end. The Quarterly Management Report shall include:

- A portfolio inventory;
- Credit quality of each holding (or average credit quality of each fund);
- Duration {or average maturity) of each fund;
- Mark-to-market valuations on investments and collateral;
- A breakdown of the portfolio by counterparty; and
- Portfolio position against asset allocation target

An Annual Investment Report shall be prepared by the Manager of Treasury and submitted by the Chief Financial Officer to the Board of Trustees and filed with the State Division of the Budget, State Comptroller, State Senate Finance Committee, and Assembly Ways and Means Committee no more than 90 days after each year end. The Annual Investment Report may be a part of any other annual report that LIPA is required to make. The Annual Investment Report shall include the following:

- The Investment Policy is in compliance with Section 2925(3) of the Public Authorities Law and any amendments since last reported;
- An explanation of the Investment Policy and amendments;
- The results of the Annual Independent Audit (described in Section3.3);
- Investment income record of the Authority; and
- A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and manager/advisor rendering investment associated services to LIPA since the date of the last investment report.

5.2. Performance Reporting

Performance reporting shall be included in the Management Reports and should track performance relative to specified benchmarks and sector indices for the current period and year- to-date. The Director of Finance and Treasury and Chief Financial Officer will act on any weaknesses related to the management of the assets

6. APPLICABILITY

This Investment Policy shall govern all investments initiated by LIPA after March 25, 2026 and shall not apply to any investments initiated by the Authority on or prior to March 25, 2026. Nothing contained in these Investment Policy shall be deemed to alter, affect the validity of, modify the terms of, or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this Investment Policy.

7. BANK AUTHORIZATION

The Chief Executive Officer or any authorized designees[1] ("Authorized Persons") are authorized to deposit any LIPA funds in any commercial bank or financial institution whose long-term deposits are rated A- or better by Standard & Poor's Corporation, A3 or better by Moody's Investor Service, Inc. or A- or better by Fitch, Inc. (each such institution referred to herein as the "Bank"), either at its head office or at any of its branches.

Any LIPA funds deposited in the Bank may be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, wire transfers or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed, as applicable, on behalf of the Authority in accordance with the Financial Policies and Procedures of the Authority and its Service Provider by Authorized Persons.

[1] The Chief Executive Officer's designees under this Investment Policy shall include only persons permitted by the LIPA By-Laws, Article IV, Section 7(c) (Powers and Duties of the Chief Executive Officer) and Article VIII, Section 1 (Execution of Instruments), and any other applicable guidance or limitations provided by the LIPA Board of Trustees

APPENDIX A- OPERATING PROCEDURES AND CONTROLS (Manual)

A. Distribution of the Investment Policy

The policy and all subsequent amendments, revisions and updates shall be distributed to LIPA personnel per the approval of the Chief Financial Officer.

During the period in which LIPA retains investment manager(s), the investment manager(s) must also receive the Investment Policy and all amendments, updates, or revisions to insure compliance with the most current policy. Below is the distribution list matrix for the investment policy.

Distribution List	Frequency
Board of Trustees	As necessary
Chief Executive Officer	As necessary
Chief Financial Officer	As necessary
Director of Finance and Treasury	As necessary
Controller	As necessary
Investment Manager(s)	As necessary
General Counsel	As necessary
Manager of Treasury	As necessary

B. Roles and Responsibilities in Executing the Investment Policy

The roles and responsibilities for investment management at the Authority rest primarily with the Director of Finance and Treasury and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

Roles	Responsibility	Frequency
Board of Trustees	▪ Final Approval of the policy ▪ Approval of exceptions to the policy (e.g. new investment types) ▪ Approval of revisions to the policy	▪ Annual ▪ As necessary ▪ As necessary
Chief Executive Officer	▪ Responsible for adherence to all Authority policies	▪ As necessary
Chief Financial Officer	▪ Approval of the policy ▪ Approval of investment strategy ▪ Approval of performance measurements ▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)	▪ Annual ▪ Annual ▪ Ongoing ▪ As necessary

Director of Finance and Treasury	▪ Serve as custodian of the policy ▪ Develop investment strategy ▪ Review investment strategy ▪ Establish performance measurements ▪ Distribution of policy and amendments ▪ Annual review of policy ▪ Oversight of investment activity ▪ Invest funds as provided for in the policy ▪ Review performance information ▪ Management reporting ▪ Collect performance information ▪ Distribute performance information ▪ Keep abreast of developments and notify the Chief Financial Officer, as needed	▪ Ongoing ▪ Annual ▪ Ongoing ▪ Ongoing ▪ As necessary ▪ Annual ▪ Ongoing ▪ Ongoing ▪ Monthly ▪ Quarterly ▪ Weekly ▪ Weekly ▪ Ongoing
Investment Manager(s)	▪ Develop investment strategy ▪ Review investment strategy ▪ Invest funds as provided for in the policy ▪ Reporting investment portfolio	▪ Annual ▪ Ongoing ▪ Ongoing ▪ Daily, Monthly, Quarterly

C. Segregation of Duties

LIPA requires adequate segregation of duties to prevent possible fraud, operational errors, misappropriation of funds, unauthorized trades, concealment of trades, and manipulation of accounting records. Personnel involved in risk monitoring activities should be segregated from risk taking (i.e. executing transactions).

Activity to be Performed	Segregation Level
Trade Execution	Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.
Trade Confirmation	Individuals who conduct confirmations should not execute transactions.
Settlement - Disbursing and Receiving Funds	Individuals who handle cash settlement on the trades should not execute the trades. Cash settlement shall be transacted by any one of the authorized Authority signatories who did not participate in the trade execution. Only one signature is required due to the nature of the transaction, i.e., transfer of assets between Authority accounts.
Account Reconciliation	Account reconciliation activities must be segregated from trade execution activities.

D. Management Reporting

Report	Contents	Audience	Frequency
Management Report	Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis	Chief Financial Officer, Board of Trustees	▪ Quarterly
Annual Investment Report	Investment Policy, explanation of Investment Policy & amendments, annual investment audit, annual investment income, total fees and commissions paid	Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)	▪ Annually

E. Operating Procedures

Operating procedures for the administration of LIPA's investment program should include the following:

- The establishment and maintenance of a system of internal controls;
- Each disbursement of funds (and corresponding receipt of Investment Securities) or delivery of Investment Securities (and corresponding receipt of funds) shall be based upon proper written authorization. If the authorization is initially given orally, there shall be documented confirmation from an authorized signatory of the Authority to the custodian;
- The process of initiating, reviewing and approving requests to buy and sell Investment Securities shall be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
- Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed, to the Authority. Delivery of obligations sold shall only be made upon receipt of funds; Custodial banks shall be required to report whenever activity has occurred in the Authority's custodial account;
- There shall be at least monthly verification of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared against the Authority's records;
- A record of investments shall be maintained. The records shall identify the Investment Security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and custodian of collateral;
- Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- A data base of records incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices, and related information necessary to manage the portfolio;
- Requirements for periodic reporting and a satisfactory level of accountability.

APPENDIX B - NDTF INVESTMENT PROVISIONS

NUCLEAR DECOMMISSIONING TRUST FUND
INVESTMENT PROVISIONS

To meet LIPA's objectives of funding future liabilities for the nuclear decommissioning obligations of the Authority's 18% share of Nine Mile Point Unit 2, while balancing long-term risk and return and providing reasonable diversification, the NDTF Account shall allocate assets in accordance with the targets for each asset class as follows:

Asset Class	Asset Weighting
Domestic Equity Mutual Funds	35%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds - Inflation Protected Securities	20%

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay's, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index[1] or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting.[2]

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or "sweep accounts" pending investment or for other reasons.

[1] Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

[2] LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.

APPENDIX C - OPEB ACCOUNT INVESTMENT PROVISIONS

OPEB ACCOUNT
INVESTMENT PROVISIONS

To meet LIPA's objectives of funding future contractual retirement benefit obligations while balancing long-term risk and return and providing reasonable diversification, the OPEB Account shall allocate assets in accordance with the targets for each asset class as follows:

Asset Class	Asset Weighting
Domestic Equity Mutual Funds	40%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds-Inflation Protected Securities	15%

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay's, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index[1] or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting[2].

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or "sweep accounts" pending investment or for other reasons.

[1] Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

[2] LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.

FOR CONSIDERATION
September 27, 2023

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of Approval of the Annual Report and Amendments on the Board Policy on Asset Management

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The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Asset Management (the "Policy"); (ii) finding that LIPA has substantially complied with the Policy; and (iii) approving amendments to the Policy, which resolution is attached hereto as **Exhibit "A."**

Background

In June 2021, the Board adopted the Policy with the purpose of maintaining a robust Asset Management system for the safe, reliable, and cost-effective operation of the transmission and distribution system managed by LIPA's Service Provider.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find LIPA has substantially complied with the Policy for the period since the review of the Policy last year. The Policy requires that the LIPA and its Service Provider will take prudent and reasonable measures to accomplish the following:

1. "Adopt the ISO Asset Management Framework that encompasses industry leading practices and achieve a maturity goal of 3.0 or greater by the end of 2023. This includes:

   i. Maintaining a long-range asset management focus on electric distribution, substation and transmission equipment, by emphasizing risk and gap analysis, reliability centered maintenance, lifecycle cost techniques, and financial and operational metrics to improve and achieve key performance indicators (e.g. age, manufacturer, failure modes, failure rates, cost to maintain, life expectancy, end of life determination, etc.).

   ii. Developing asset risk and lifecycle strategies, asset health indexing, asset condition and criticality, and preventive / predictive maintenance strategies.

   iii. Ensuring accountability for annual test and inspect plan input, annual replacement capital work plan input, asset standards, and decisions on asset replacements.

   iv. Ensuring material condition (life cycle) strategies are maintained, and equipment is replaced based on these strategies so as to maintain a high level of system reliability."

   LIPA and PSEG Long Island have accomplished the following towards this objective since the last Policy update:

- With the assistance of a third-party asset management consultant, a "Strategic Asset Management Plan" (SAMP) was completed as well as an "Asset Management Plan" (AMP) for 22 discrete assets.
- The asset inventory program continued to gather and document overhead field assets, with the information uploaded into LIPA's Graphical Information System. A unique number was added on each pole inventoried.

2. "Develop and maintain a modern enterprise asset management system ("EAMS") for asset related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets. This EAMS will become the foundation of the utility's data-driven asset management decision processes. The EAMS will include a computerized multi-year component/equipment performance history to determine the effectiveness of the reliability programs."

LIPA and PSEG Long Island have accomplished the following towards this objective since the last Policy update:

- In 2022, multiple Enterprise Asset Management Systems (EAMS) were evaluated. Maximo, an IBM product, was chosen to modernize the asset management platform.

- As per PSEG Long Island performance metric T&D-03 for EAMS implementation, a System Integrator was to be selected in 2023 to implement the Maximo EAMS software. In response to a request for proposals for System Integrators, LIPA and PSEG Long Island's legal teams spent considerable time and effort attempting to negotiate contracts with two shortlisted bidders but were unable to negotiate a contract on acceptable terms with PSEG Long Island's preferred vendor. Overall, the EAMS project has required extensive engagement from LIPA and PSEG Long Island senior leadership to mitigate deficiencies in PSEG Long Island's planning and project management in 2022 and 2023. LIPA management believes it is not worth diverting focus from other critical and higher-priority projects to address ongoing EAMS implementation challenges at this time. Consequently, LIPA management has recommended putting this project on hold until the completion of other higher-priority IT projects, including the OSA-mandated System Separation project, the Time of Day (TOD) rate implementation, and cybersecurity enhancements.

<u>Enterprise Risk Management Discussion</u>

The Board has adopted a Policy on Enterprise Risk Management. Enterprise risks are brought to the Board's attention throughout the year. There is one risk related to the Policy. That risk is: "Lack of good (accuracy and availability) historical data centrally located results in less-than-optimal decision-making to support asset management lifecycle optimization and replacement schedule resulting in inefficient capital resource allocation and reduced reliability."

The asset management risk has a medium rating and is being mitigated through the development of adoption of leading asset management practices pursuant to three PSEG Long Island

performance metrics (T&D-01, -02 and -03). As discussed in the June 2023 Quarterly Board report on performance metrics, LIPA has had continuing concerns about PSEG Long Island's ability to meet the asset management performance metrics. PSEG Long Island did not meet the 2022 asset management-related metric T&D-1 and the 2023 metric related to the EAMS implementation T&D-3 has experienced significant challenges. As discussed above, LIPA management recommends putting the EAMS system implementation on hold until the completion of other higher-priority IT projects due to these concerns. This remains a risk that is not mitigated to the standards set in the performance metrics.

Annual Review of the Policy

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in various meetings to develop and draft amendments to the Policy. The draft amendments to the Policy have been shared with the entire Board.

As discussed above, LIPA management recommends that the EAMS system implementation be placed on hold until the completion of other higher-priority IT projects. The draft policy previously reviewed by the Board working group called for LIPA to achieve a maturity level of 3.0 or greater on the ISO Asset Management Framework, which encompasses industry-leading practices for asset management, by the end of 2025. By placing the EAMS implementation project on hold, LIPA management recommends that this goal be achieved by the end of 2027.

The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit "B"**.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution
Exhibit "B" Policy (redline)
Exhibit "C" Policy (clean)

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON ASSET MANAGEMENT

WHEREAS, the Board Policy on Asset Management (the "Policy") was originally approved by the Board of Trustees in June 2021; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that LIPA has substantially complied with Policy, and that the changes to the Policy recommended herein are due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has substantially complied with Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in **Exhibit "B"** are hereby approved.

Dated: September 27, 2023

Exhibit "B"

Board Policy:	**Asset Management**
Policy Type:	**Operating**
Monitored by:	**Oversight and Clean Energy Committee**
Board Resolution:	**#1649, approved June 23, 2021** **#xxx, amended September xx, 2023**

Board Policy on Asset Management

~~It is the policy of the~~ The Long Island Power Authority's ("LIPA") vision for ~~to maintain a robust Asset~~ asset ~~Management~~ management is to maintain a robust system for the ~~safe~~clean, reliable, and ~~cost-effective~~affordable operation of the transmission and distribution system assets ~~managed by its Service Provider~~. LIPA ~~and its Service Provider~~ will take prudent and reasonable measures to accomplish the following:

- Adopt the ISO Asset Management Framework that encompasses ~~industry leading~~industry-leading practices and achieve a maturity goal of 3.0 or greater by the end of ~~2023~~2027~~5~~. ~~This includes:~~
  - ~~Maintaining a long-range asset management focus on electric distribution, substation and transmission equipment, by emphasizing risk and gap analysis, reliability centered maintenance, lifecycle cost techniques, and financial and operational metrics to improve and achieve key performance indicators (e.g. age, manufacturer, failure modes, failure rates, cost to maintain, life expectancy, end of life determination, etc.)~~
  - ~~Developing asset risk and lifecycle strategies, asset health indexing, asset condition and criticality, and preventive / predictive maintenance strategies.~~
  - ~~Ensuring accountability for annual test and inspect plan input, annual replacement capital work plan input, asset standards, and decisions on asset replacements.~~
  - ~~Ensuring material condition (life cycle) strategies are maintained, and equipment is replaced based on these strategies so as to maintain a high level of system reliability.~~

- Develop and maintain a modern enterprise asset management system ("EAMS") for asset-related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets. ~~This EAMS will become the foundation of the utility's data-driven asset management decision processes. The EAMS will include a computerized multi-year component/equipment performance history to determine the effectiveness of the reliability programs.~~

The Chief Executive Officer, or his or her designee, will report annually to the Oversight and Clean Energy Committee on the key provisions of this Policy.

Exhibit "C"

Board Policy:	**Asset Management**
Policy Type:	**Operating**
Monitored by:	**Oversight and Clean Energy Committee**
Board Resolution:	**#1649, approved June 23, 2021** **#xxx, amended September xx, 2023**

Board Policy on Asset Management

The Long Island Power Authority's ("LIPA") vision for asset management is to maintain a robust system for the clean, reliable, and affordable operation of the transmission and distribution system assets. LIPA will take prudent and reasonable measures to accomplish the following:

- Adopt the ISO Asset Management Framework that encompasses industry-leading practices and achieve a maturity goal of 3.0 or greater by the end of 2027.

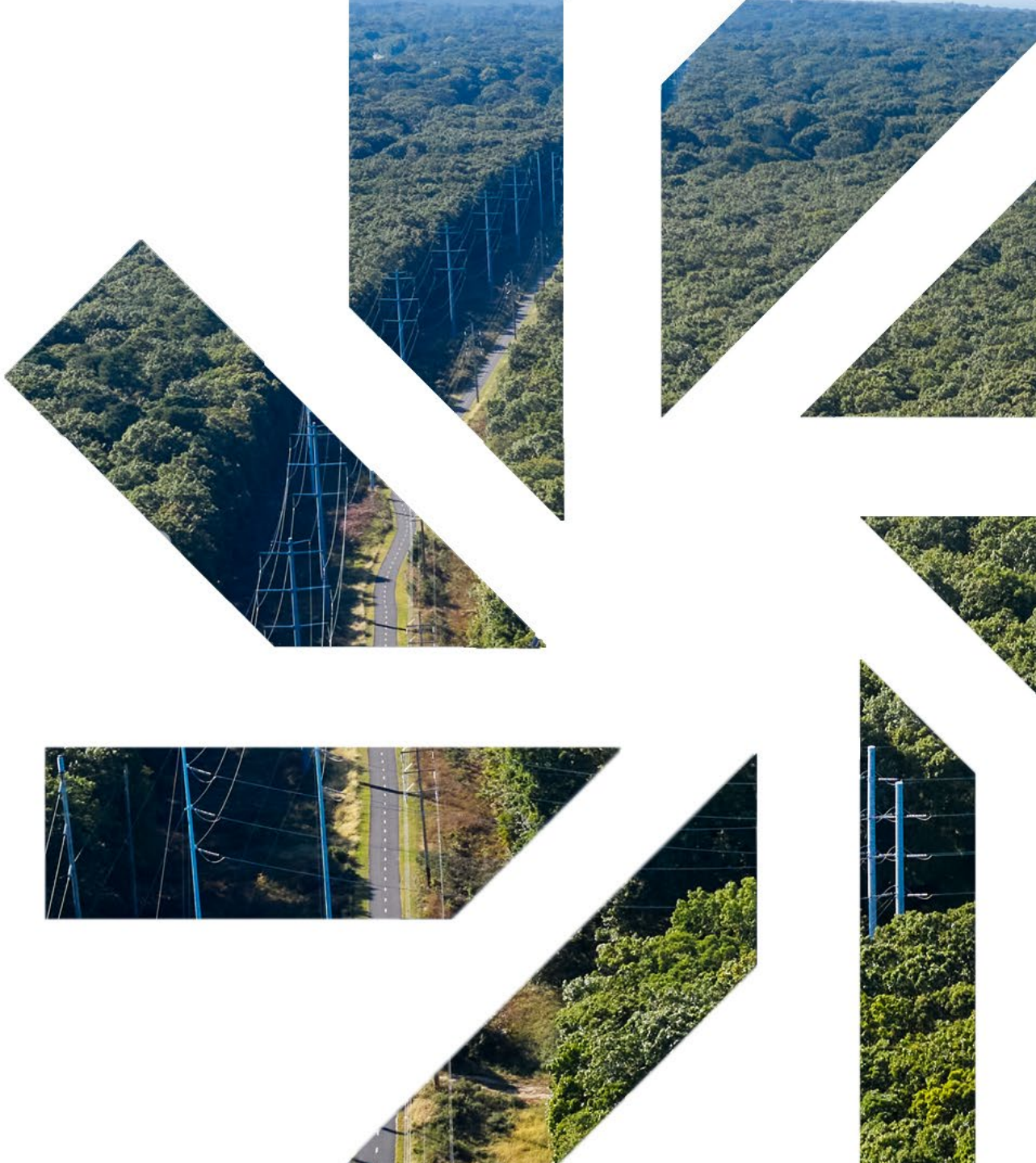
- Develop and maintain a modern enterprise asset management system ("EAMS") for asset-related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets.

The Chief Executive Officer, or his or her designee, will report annually to the Oversight and Clean Energy Committee on the key provisions of this Policy.

Annual Board and Committee Agenda Planning for 2026

Proposed for Board Consideration
Prepared by: Bobbi O'Connor,
General Counsel

December 17, 2025



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Summary of Proposed 2026 LIPA Meetings

Board/Committee	Number of Meetings		Total Time
Board	7		**16.8 hours**
F&A	7		**5.75 hours**
Oversight & Clean Energy	5		**4.4 hours**
Governance, Planning and Personnel	4		**2.8 hours**
Total Number of Meetings	**23**	**Total Time Spent (Approximate)**	**29.75 hours**

Proposed January 28, 2026 Meetings

Board	• Roll call, consent agenda, CEO Report, PSEG Long Island Operating Report (“Routine Board Matters”) (50 mins.) • Review Board Policies (40 mins.) • Public Comment (10 mins.)	**[100 mins.]**
Governance, Planning & Personnel	• Discussion of Projects and Accomplishments and Work Plan (20 mins.) • Annual Governance Package (10 mins.) • Committee’s Annual Self Report and Review Committee Charter (10 mins.)	**[40 mins.]**
F&A	• Routine F&A Matters (20 mins.) • Approval of Internal Audit Plan, Internal Audit Budget, and Resource Requirements (10 mins.) • Committee’s Annual Self Report and Review of Committee’s Charter (10 mins.)	**[40 mins.]**
Total proposed time for January meetings (approximate):		**3 hours**

Proposed March 25, 2026 Meetings

Board	• Routine Board Matters (50 mins.) • Approval of Year-End Financials (10 mins.) • Approval of Tariff Changes (40 mins.) • Review Board Policies (40 mins.) • Public Comment (20 mins.)	**[160 mins.]**
F&A	• Routine F&A Matters (20 mins.) • Presentation from TEA on Power and Fuel Supply Management and Hedging (20 mins.) • Audit Results from Independent Auditors (20 mins.) • EXECUTIVE SESSION with Independent Auditors (15 mins.) • Recommendation to Approve Year-End Financials (15 mins.) • Annual Financial Package (10 mins.)	**[100 mins.]**
Gov., Planning & Personnel	• EXECUTIVE SESSION: CEO Performance (30 mins.)	**[30 mins.]**

Proposed March 25, 2026 Meetings (continued)

Oversight & Clean Energy	• Briefing on Winter Storm Summary (20 mins.) • Committee's Annual Self Report and Review of Committee Charter (20 mins.)	**[40 mins.]**
Total proposed time for March meetings (approximate):		**5.5 hours**

Proposed May 20, 2026 Meetings

Board	• Routine Board Matters (50 mins.) • Approval of Tariff Changes (20 mins.) • Review Board Policies (20 mins.) • ERM Update (20 mins.) • Public Comment (20 mins.)	**[130 mins.]**
F&A	• Routine F&A Matters (20 mins.) • EXECUTIVE SESSION: Internal Audit (as needed) (10 mins.) • Review Quarterly Financials Ended March 30 (10 mins.)	**[40 mins.]**
Oversight & Clean Energy	• Summer Preparation for Power Supply & T&D (25 mins.) • Bi-Annual Metrics Performance Update (25 mins.)	**[50 mins.]**
Governance, Planning & Personnel	• Results of Board's Self-Evaluation (20 mins.) • EXECUTIVE SESSION: Board's Self Evaluation (60 mins.)	**[80 mins.]**
Total proposed time for May meetings (approximate)		**4.8 hours**

Proposed June 24, 2026 Meetings

Board	• Routine Board Matters (50mins.) • Review Final Metrics Performance (20 mins) • Review Board Policies (30 mins.) • Approval of PPTN Formula Rate (10 min) • Public Comment (20 mins.)	**[130 mins.]**
Oversight & Clean Energy	• Update on T&D Capital Budget (30 mins.) • Review Annual Update to Emergency Restoration Plan (30 mins.) • Update on Utility 2.0 & Energy Efficiency Filing; Presentation of Annual Energy Efficiency Report (40 mins.)	**[100 mins.]**
F&A	• Routine F&A Matters (20 mins.)	**[20 mins.]**
Governance, Planning & Personnel	• EXECUTIVE SESSION: Succession Planning (20 mins.)	**[20 mins.]**
Total proposed time for June meetings (approximate)		**4.5 hours**

Proposed September 23, 2026 Meetings

Board	• Routine Board Matters (50 mins.) • Review Board Policies (20 mins.) • ERM Update (20 mins.) • Briefing on Implementation of Management Audit Recommendations (20 mins.) • Public Comment (20 mins.)	**[130 mins.]**
F&A	• Routine F&A Matters (20 mins.) • Review Quarterly Financials Ended June 30 (10 mins.) • Discuss Independent Auditor's Audit Plan (20 mins.) • EXECUTIVE SESSION: Internal Audit (as needed) (10 mins.)	**[60 mins.]**
Oversight & Clean Energy	• Storm Readiness Update (20 mins.) • Bi-Annual 2025 Metrics Performance Update (20 mins.)	**[40 mins.]**
Total proposed time for September meetings (approximate):		**3.8 hours**

Proposed November 18, 2026 Meetings

Board	• Proposed Budget and Performance Metrics Presentation (60 mins.) • Q&A (20 mins.) • Routine Board Matters (50 mins) • Review Board Policies (40 mins.)	**[170 mins.]**
F&A	• Routine F&A Matters (20 mins.) • Review Quarterly Financials Ended September 30 (10 mins.) • Presentation from TEA on Power and Fuel Supply Management and Hedging (20 mins.)	**[50 mins.]**
Total proposed time for November meetings (approximate)		**3.6 hours**

Proposed December 16, 2026 Meetings

Board	• Routine Board Matters (50 mins.) • Approval of Tariff Changes (25 mins.) • Approval of 2027 Budget and Performance Metrics (30 mins.) • Approval of Plan of Finance (15 mins.) • Annual Agenda Planning (15 mins.) • ERM Update (20 mins.) • Review Board Policies (20 mins.) • Approval of Tariff Changes (15 mins.) • Public Comment (20 mins.)	**[210 mins.]**
F&A	• Routine F&A Matters (20 mins.) • EXECUTIVE SESSION: Internal Audit (as needed) (15 mins.)	**[35 mins.]**
Oversight & Clean Energy	• EXECUTIVE SESSION: Cybersecurity (35 mins.)	**[35 mins.]**
Total proposed time for December meetings (approximate):		**4.6 hours**

FOR CONSIDERATION
January 28, 2026

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Consideration of Approval of the Annual Report and Amendments to the Board Policy on Audit Relationships

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Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Audit Relationships (the "Policy"); (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **"Exhibit A"**.

Board Policy on Audit Relationships

F&A Committee, in its Charter, was delegated the responsibility for reviewing LIPA's audit-related policies and practices.

The Policy defines the expectations of the Board regarding the existing authority granted to the F&A Committee for, among other matters, (i) selecting an independent certified public accounting firm to conduct annual audits of LIPA; (ii) the annual review of the audit plan as well as the Charter, activities, staffing, budget, and organizational structure of Internal Audit, and confirming the independence of the internal auditors; (iii) monitoring, in consultation with the Chief Audit Executive ("CAE"), the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings; (iv) setting forth the procedures for the Board's receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service ("DPS").

Since the last review of the Policy, the following activities have been performed consistent with the Policy:

Independent External Auditor

- The Board previously selected KPMG as the independent certified public accounting firm to conduct annual audits of LIPA. On March 26, 2025, the F&A Committee met with KMPG to complete its annual audit for 2024. KPMG reported no significant findings as a result of its audit.

Internal Auditors

- Internal Audit conducted audits as identified in the annual audit plan and special projects requested by the F&A Committee or management. Internal audit activities were performed in accordance with the Institute of Internal Auditors' Global Standards ("the Standards").
- On January 23, 2025, the F&A Committee reviewed and approved the audit plan, activities, staffing, budget, and organizational structure of the internal audit department.
- The CAE, or delegate, met with the F&A Committee at each Board meeting to discuss internal audit activities and progress toward remediation of Management Action Plans in response to internal audit findings.
- The CAE met with the F&A Committee at least twice per year in executive sessions independent of other LIPA staff and reported significant internal audit findings to the Board in a timely manner.

DPS Management and Operations Audits

- As required by the LIPA Reform Act, DPS procured NorthStar Consulting Group to conduct the Management and Operations audit, which concluded on March 22, 2024, with the filing of a final report containing 80 individual recommendations in 15 areas of management, oversight, and operations. On April 17, 2024, DPS briefed the Board on this final audit report and key recommendations.
- At the April 17, 2024, Board meeting, the Board directed LIPA and PSEG Long Island staff to implement the recommendations from the audit report in accordance with the timeframe specified in the audit.
- At the December 18, 2024, Board meeting, the Board adopted the implementation plans for each recommendation and directed LIPA and PSEG Long Island to submit an annual report to both the Board and DPS on the status of their implementation.
- LIPA's CAE provided an annual update to the F&A Committee on the status of the 2022 recommendations at the Board's September 25, 2025, meeting.

Annual Review of the Policy

The proposed changes to the Board Policy include updates that reflect LIPA Internal Audit's assumed control of the Management and Operations Audit administrative process, as well as minor stylistic changes. The proposed changes to the Policy are more specifically set forth in **Exhibit "B"**.

Recommendation

Based upon the foregoing, I recommend the approval of the adoption of the resolution in the form attached hereto as **Exhibit "A"**.

Attachments

Exhibit "A" Resolution
Exhibit "B" Board Policy on Audit Relationships (redline)
Exhibit "C" Board Policy on Audit Relationships (clean)

Exhibit "A"

RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS

WHEREAS, the Board of Trustees (the "Board") of Long Island Power Authority ("LIPA") is responsible for setting LIPA's audit relationship policy and overseeing its fulfillment; and

WHEREAS, the Finance & Audit Committee (the "F&A Committee"), in its Charter, was delegated the responsibility of reviewing LIPA's policies regarding audit relationships; and

WHEREAS, in LIPA's By-Laws, LIPA's Board delegated certain responsibilities to the Chief Executive Officer for managing and directing LIPA Staff.

WHEREAS, the F&A Committee has recommended approval of the annual report and amendments to the Audit Relationships Policy.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the Board hereby approves the changes to the Policy that are reflected in **Exhibit "B"**.

Dated: January 28, 2026

Exhibit "B"

Board Policy: **Audit Relationships**

Policy Type: **Governance Process**

Monitored by: **Finance and Audit Committee**

Board Resolution: **#1355, approved March 29, 2017**
#1410, amended March 29, 2018
#1420, amended July 25, 2018
#1462, amended January 23, 2019
#1528, amended, May 20, 2020
#1632, amended, May 19, 2021
#1725, amended, May 18, 2022
#1800, amended, June 28, 2023
~~#[1885xxxx]~~, amended, January 23, 2025
#xxxx, amended, January 28, 2026

~~LIPA's~~ LIPA's vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the ~~"~~"Board~~"),~~ "), management, and stakeholders designed to improve ~~LIPA's~~ LIPA's operations, risk management, controls, and governance processes, including those managed on ~~LIPA's~~ LIPA's behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:

Independent External Auditor

- The Board, on the recommendation of the Finance and Audit Committee (the ~~"~~"F&A Committee~~"),~~ "), will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will ~~make the choice of~~select the external auditor based on advice from staff and others as it deems necessary to exercise prudent, and independent judgment.
- The F&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The F&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

Internal Auditors

- ~~LIPA's~~ LIPA's internal auditors will adhere to the Institute of Internal Auditors' Mandatory Guidance, which includes ~~the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics,~~ the Global Internal Audit Standards (~~"~~"the Standards~~"~~"), ~~International Standards for the Professional Practice of Internal Auditing~~ , and ~~the Definition of Internal Auditing~~Topical Requirements.

- Internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the F&A Committee~~,~~ or management.
- The annual audit plan will include audits of LIPA and its service provider~~s~~. ~~, and t~~The internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service provider~~s~~ in the performance of their duties.
- The F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit department, and ~~will~~ confirm the independence of the internal auditors. The ~~chief~~ Chief ~~audit~~ Audit ~~executive~~ Executive shall administratively report to the Chief Executive Officer. ~~.~~
- The F&A Committee will review and approve the appointment or removal of the ~~chief~~ Chief Audit Executive.~~audit executive.~~ The Chief Executive Officer ~~CEO~~ may appoint an individual to serve as ~~chief~~ Chief ~~audit~~ Audit ~~executive~~ Executive on an interim basis.
- The F&A Committee will monitor, in consultation with the ~~chief audit executive~~ Chief Audit Executive, the significant findings of internal audit reports and the status of the implementation of ~~management's~~ management action plans in response to such audit findings.
- The F&A Committee will meet at least twice per year with the ~~chief audit executive~~ Chief Audit Executive, ~~-~~independent of other LIPA staff, and will report any significant audit findings to the Board in a timely manner.

Department of Public Service Management and Operations Audits

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct a comprehensive management and operations audits of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the DPS must deliver to the Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- ~~Ninety days a~~After the audit ~~report's~~ report's finalization, ~~LIPA's~~ LIPA~~Chief Executive Officer~~, in coordination with PSEG Long Island, shall submit an implementation plan to the ~~Oversight and Clean Energy~~Finance and Audit Committee of the Board to effectuate the ~~audit's~~ audit's recommendations.
- ~~LIPA's~~ LIPA's Chief Audit Executive~~Chief Executive Officer~~ ~~, together with PSEG Long Island,~~ will submit an annual report to the ~~Oversight and Clean Energy~~~~Finance and Audit~~ F&A Committee of the Board and the DPS on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. ~~The annual report will be reviewed by Internal Audit for completeness prior to submission.~~ The ~~Oversight and Clean Energy~~~~Finance and Audit~~F&A Committee will report significant matters to the Board.
- LIPA and PSEG Long Island's ~~i~~internal a~~A~~udit departments will review the

effectiveness of the implementation plan in addressing each audit recommendation after the ~~completion of the plan~~plan is completed for that recommendation.

The F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.

Exhibit "C"

Board Policy: **Audit Relationships**

Policy Type: **Governance Process**

Monitored by: **Finance and Audit Committee**

Board Resolution: **#1355, approved March 29, 2017**
#1410, amended March 29, 2018
#1420, amended July 25, 2018
#1462, amended January 23, 2019
#1528, amended, May 20, 2020
#1632, amended, May 19, 2021
#1725, amended, May 18, 2022
#1800, amended, June 28, 2023
#1885, amended, January 23, 2025
[xxxx], amended, January 28, 2026

LIPA's vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the "Board"), management, and stakeholders designed to improve LIPA's operations, risk management, controls, and governance processes, including those managed on LIPA's behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:

Independent External Auditor

- The Board, on the recommendation of the Finance and Audit Committee (the "F&A Committee"), will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will select the external auditor based on advice from staff and others as it deems necessary to exercise prudent, and independent judgment.
- The F&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The F&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

Internal Auditors

- LIPA's internal auditors will adhere to the Institute of Internal Auditors' Mandatory Guidance, which includes the Global Internal Audit Standards ("the Standards") and Topical Requirements.
- Internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the F&A Committee or management.

- The annual audit plan will include audits of LIPA and its service provider. The internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service provider in the performance of their duties.
- The F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit department, and confirm the independence of the internal auditors. The Chief Audit Executive shall administratively report to the Chief Executive Officer.
- The F&A Committee will review and approve the appointment or removal of the Chief Audit Executive. The Chief Executive Officer may appoint an individual to serve as Chief Audit Executive on an interim basis.
- The F&A Committee will monitor, in consultation with the Chief Audit Executive, the significant findings of internal audit reports and the status of the implementation of management action plans in response to such audit findings.
- The F&A Committee will meet at least twice per year with the Chief Audit Executive, independent of other LIPA staff, and will report any significant audit findings to the Board in a timely manner.

Department of Public Service Management and Operations Audits

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct a comprehensive management and operations audit of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the DPS must deliver to the Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- After the audit report's finalization, LIPA, in coordination with PSEG Long Island, shall submit an implementation plan to the Finance and Audit Committee of the Board to effectuate the audit's recommendations.
- LIPA and PSEG Long Island's internal audit departments will review the effectiveness of the implementation plan in addressing each audit recommendation after the plan is completed for that recommendation.
- LIPA's Chief Audit Executive will submit an annual report to the F&A Committee of the Board and the DPS on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. The F&A Committee will report significant matters to the Board.

The F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.